

Japan's Role for Southeast Asia Amidst the Great Power Competition

*and its Implications for
the EU-Japan Partnership*

Edited by
Koki Shigenoi

April 2022

Konrad-Adenauer-Stiftung e. V. 2022

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Foreword

The Konrad-Adenauer-Stiftung (KAS) is a German political foundation. We are proud to bear the name of Konrad Adenauer. The first chancellor of the Federal Republic of Germany's name and principles guide us in our duties and obligations. As a think tank and consulting agency, our well-researched scientific concepts and current analyses aim to offer a basis for possible political action. The success of our work lies in our global presence and international network: our offices abroad are responsible for over 200 projects in more than 120 countries.

For decades, the Indo-Pacific region has shown the most dynamic growth worldwide and is becoming the new centre of gravity. That is why it is increasingly important to connect Germany and Europe with this region. By means of 21 country offices and seven regional programmes, KAS aims to build bridges between the Indo-Pacific region and Europe – based on our values, and centered around core interests such as international security. We are thus creating various foreign and security policy networking platforms to connect decision-makers and support political dialogue between the Indo-Pacific and Europe. In a deeply connected world, we support the structures of international cooperation crucial for economic well-being, political stability and security. As highlighted in the Indo-Pacific Guidelines of the German Government, Germany seeks to actively strengthen the regional and international rules-based order in the Indo-Pacific.

Against the backdrop of a hardening strategic rivalry between the US and China, the Indo-Pacific region plays a key role. Global foreign and security policy discourse is therefore focusing on various Indo-Pacific concepts to an ever-greater extent. Within this geographically large region that is not clearly defined, Southeast Asia undoubtedly represents the decisive playing field for this geopolitical dispute. For in no other region is the economic, political and military rise of China so striking and so powerful; in no other region does Beijing question the rules-based international order (especially in the South China Sea) so aggressively.

So far, the states of Southeast Asia have benefited from the economic rise of China. Yet, the uneasiness prevailing in the societies and among policymakers of these nations is increasing due to China's a growing self-confidence. Adaptation strategies to the rise of Beijing and the growing conflict with the former Pacific superpower differ from country to country. However, what they all have in common is that they exhibit cooperative and confrontational elements – to varying degrees. Even if the US involvement in the region is seen as a necessary counterweight to China, due to its geographical location, economic dependency and vulnerability to security policy, no state in Southeast Asia is willing to unilaterally side with Washington. That is why Southeast Asia views a possible new bipolarity with a dividing line across the Indo-Pacific with great concern, and it threatens to undermine the concept of the centrality of the Association of Southeast Asian Nations (ASEAN).



An analysis of geopolitical competition in Southeast Asia, which only focuses on the two world powers China and the US as sole influencing factors, falls short of the mark. This is because it neglects the role of other regional powers, first and foremost Japan. For a long time, Southeast Asia has been of growing strategic relevance for Japan for economic, foreign and security policy interests. Tokyo is the largest infrastructure partner, one of the most important development aid partners and the biggest economic investor in the region. From a Japanese foreign policy perspective, the states of Southeast Asia are important partners in the Free and Open Indo-Pacific (FOIP) concept for realising a stable, beneficial and rule-based regional order. Japan is countering China's expansionist aims with projects to develop the (transnational) infrastructure, military training and arms deliveries, as well as intensified approaches towards more comprehensive strategic dialogue with the Southeast Asian partners.

The dual role of Japan as both a value partner of Germany and an important regional power in Southeast Asia, led us to conclude that looking at the "Tokyo factor" in a more systematic and policy-oriented approach would be a worthwhile endeavour.

This study is a joint project between the KAS office in Hanoi/Vietnam and Koki Shigenoi, Research Associate at the Asia-Pacific Department at KAS headquarters in Berlin/Germany. His commitment was vital for the success of this publication project. I sincerely thank him and all authors of this volume for their contributions and support.

Florian C. Feyerabend

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Preface by the Editor

The term ‘crisis’ was borrowed from the Greek *krisis* (κρίσις) that derived from the verb *krinō* (κρίνω), which means ‘separate,’ ‘judge’ or ‘decide.’ Given that a crisis is a parting of ways – a point of uncertainty before events progress, Southeast Asian countries may be on the brink of crisis; and namely, being entrapped in the escalating US-China strategic competition in the Indo-Pacific. The question now: what kind of judgment or decision has to be made in this challenging time, and what is ASEAN’s approach for avoiding segregation among the member states? What needs to be done to avert a crisis?

ASEAN, consisting of ten Southeast Asian countries, has two key concepts: ‘ASEAN centrality’ and ‘ASEAN way.’ The former refers to ASEAN’s central role in regional cooperation in Southeast/ East Asia and its framework, while the latter refers to ASEAN’s negotiation- and consensus-based modus operandi. The Southeast Asian countries want to maintain ASEAN centrality in the region, in order to reduce the risk of becoming entangled in regional hegemonic competition and alliance politics, and maintain ASEAN unity. In fact, as this study has shown, none of the Southeast Asian countries want to choose a side in the US-China rivalry.

What is important here is the third party’s role as a counterbalance to great power competition. ‘Balancing’ means that states balance by aligning against a perceived threat.¹ There are two types of balancing: ‘hard balancing,’ which involves forming military alliances with like-minded countries to counter threats; and ‘soft balancing,’ which uses non-military tools such as economics, diplomacy, and institutions to weaken the super power’s unilateral attempts and increase the cost of offensive measures. The latter mainly involves 1) establishing regional organisations, holding summit meetings and informal negotiations; 2) using international organisations and institutions to curtail the actions of the great powers; 3) using economic power rather than military power.² Conversely, when some weak countries seek safety by “getting on the bandwagon of an ascending power” while avoiding complete subjugation, it refers to “bandwagoning”.³ Bandwagoning is the opposite of balancing under a monopolar and bipolar structure, and relatively weak states adopt this strategy.⁴ The middle way between this balancing (counter) and bandwagoning (acquiesce) is ‘hedging.’

1 Stephen Walt, *The Origins of Alliances*, Ithaca: Cornell University Press, 1987: 17.

2 Robert Pape, “Soft Balancing Against the United States,” *International Security* 30/1 (2005): 9, 36f.

3 Arnold Wolfers, *Discord and Collaboration: Essays on International Politics*, Baltimore: The Johns Hopkins Press, 1962: 124.

4 Kenneth Waltz, *Theory of International Politics*, New York: Random House, 1979: 126; Wolfers, op. cit.

Amidst the US-China bipolar structure, what kind of strategy can Southeast Asian states adopt? Against this background, the study focuses on Japan's role as a balancer and hedging option for the ASEAN countries. Japan, the US's closest ally in East Asia, has long supported the economic development of Southeast Asia as well as China and has been working to develop rules-based maritime order and sustainable connectivity. In line with its diplomatic principle, Tokyo invariably avoids naming and shaming, even in its Free and Open Indo-Pacific (FOIP) vision. Unlike the hawkish stance adopted against Beijing such as by Washington and AUKUS, Japan's inclusive, balanced approach with an emphasis on principles, allows partners – e.g., ASEAN and EU – to promote the FOIP agenda in bilateral and multilateral settings.

From a strategic perspective, we need both counterpower to contain China's attempts to unilaterally change the status quo through coercion such as the US and AUKUS, on the one hand; and a (counter-) hedge to avoid pushing China to the brink and being excluded from the international community, such as Japan, ASEAN, and the EU, on the other. In this context, the key question of this study is to what extent Japan can be a counterweight to a rising China in the region.

To accomplish this task, we conducted case studies of five Southeast Asian countries, namely Cambodia, Indonesia, the Philippines, Vietnam, and Thailand. Leading experts of each country analysed the significance of Japan in security, political, economic, and cultural aspects, held interviews with government officials and policy experts to supplement the argument. In addition to analysing Japan's importance for ASEAN from the Southeast Asian perspective, this report includes a chapter on Japan-ASEAN relations from Tokyo's point of view. In doing so, the study offers a broad view on Japan's role as an anchor in Southeast Asia with both 'inside-out' and 'outside-in' perspectives.

Following this preface, this report consists of seven chapters: executive summary and key findings, case studies of the five countries mentioned above, Japan's strategic view on ASEAN, and concluding observations with policy recommendations for EU decision-makers and policy experts. In its Indo-Pacific Strategy, Brussels emphasises cooperation with ASEAN.⁵ But, what should the EU actually do for the region beyond its ambiguous guidelines? From this study's key findings of Japan's role for ASEAN countries, the report concludes with suggestions for the European ASEAN policy. The report will provide crucial insights for understanding the Japan-ASEAN relationship in the era of US-China great power competition, and for the EU to formulate policies to strengthen its involvement in the region.

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5 See European Commission, *The EU Strategy for Cooperation in the Indo-Pacific*, 16 September 2021: 4f, https://ec.europa.eu/commission/presscorner/detail/en/QANDA_21_4709.

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Executive Summary

In this report, leading experts from five ASEAN countries – Cambodia, Indonesia, Philippines, Vietnam, and Thailand – conducted case studies focusing on Japan’s role for Southeast Asia amid the region’s changing strategic and economic dynamics due to US-China contestation. In addition, the report includes the analysis of Japan-ASEAN relations from Japan’s perspective authored by Kei Koga. In this lead-off article, Koga summarises the Japan-ASEAN relationship, provides the background of the study, and what options Japan can offer to ASEAN under the US-China bipolar world. The report concludes with policy implications for European and German policymakers and experts. Here is the executive summary and key findings of this volume:



RISK OF DIVISION OF ASEAN































Koga ascertains that given the deepened economic interdependence; the immediate emergence of a cold-war-type strategic division is unlikely. Having said that, this gradual decoupling harbours the risk of division of ASEAN between the US and China. Furthermore, due to the US-China competition over ASEAN's support, the association is finding it ever-more difficult to maintain its unified front. Against this background, Koga argues that by

maintaining its engagement with China and following an inclusive approach, Japan can prevent Southeast Asia from inevitably having to choose sides and being divided by US-China rivalry for the time being.

JAPAN IS A FAVOURED PARTNER

The authors interviewed the elite rank such as policymakers and experts in the case studies. The results are summarised in **Table 1.** below.

Table 1. The Result of Our Survey

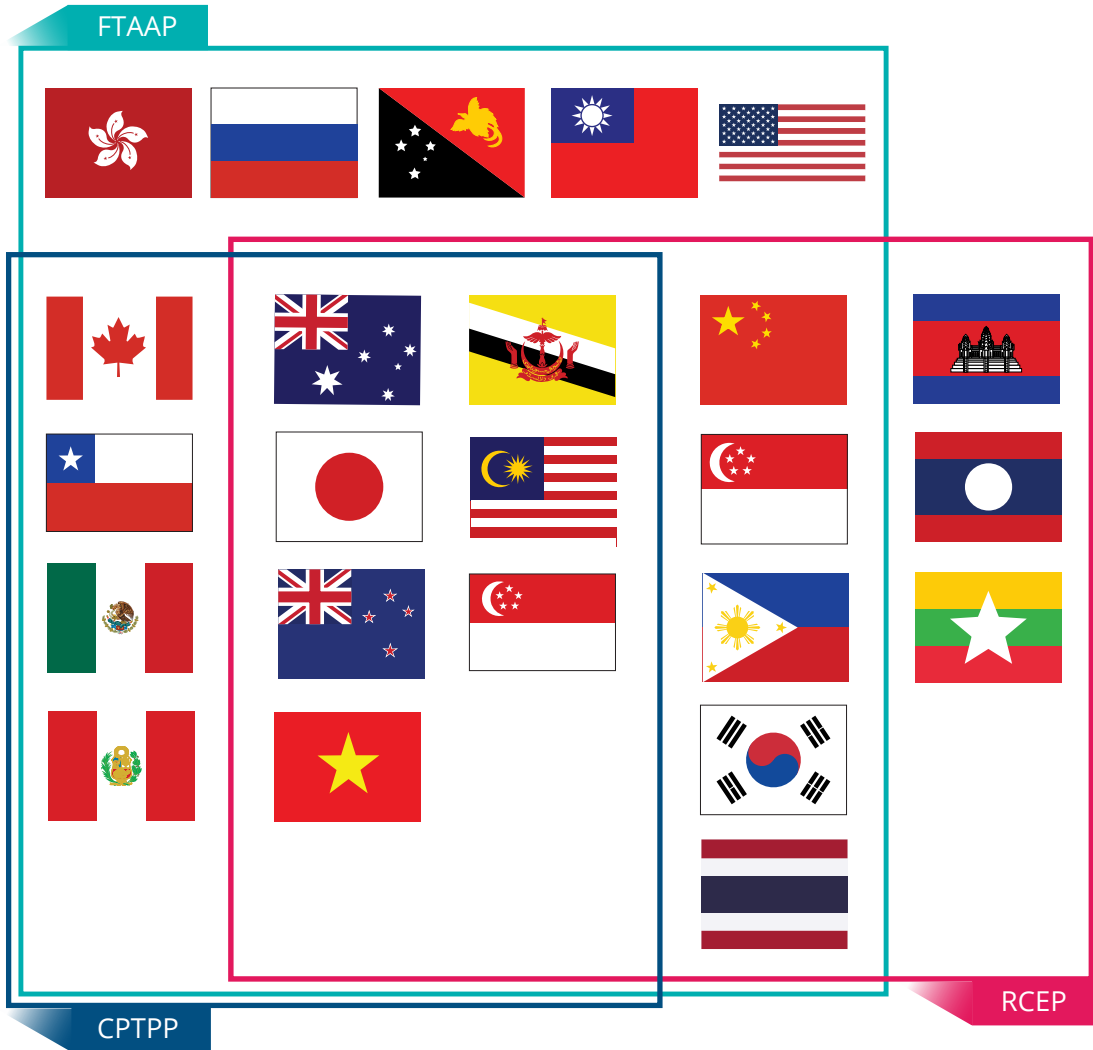
	1. Geopolitical significance					2. Geoeconomic significance				
										
	9.6	8.00	7.00	8.25	6.75	9.2	8.00	9.00	8.50	9.00
	7.8	8.00	10.00	9.00	8.25	9.4	7.00	8.00	8.75	8.00
	7.6	5.00	9.00	4.75	4.25	7.4	6.00	8.00	4.25	5.50
	7.2	5.00	6.00	7.25	4.50	9	5.00	7.00	8.00	6.25
	7.2	5.00	6.00	6.25	6.50	6.4	6.00	8.00	4.50	7.00
	3. Geotechnological significance					4. Soft power				
										
	9.4	9.00	10.00	8.00	9.00	10	8.00	10.00	8.50	9.75
	8	8.00	9.00	8.75	8.00	8.6	9.00	9.00	8.75	8.75
	7.8	5.00	9.00	4.25	5.00	8.4	4.00	8.00	4.25	4.50
	7.6	5.00	7.00	4.50	6.00	7.8	5.00	7.00	4.5	6.25
	7.6	6.00	9.00	7.00	6.50	6.4	6.00	8.00	7.00	7.25

Note: 10 = highest importance; 0= least importance

As the results show, the elites of the five Southeast Asian countries have a favourable view of Japan in all aspects. The results echo the findings of ISEAS Yusof Ishak Institute’s surveys in 2019 and 2020.¹ At geopolitical, geoeconomics, geo-technological, and soft power levels, Japan is rated higher than the EU, Australia, and India and higher than the US in several items in countries. In the economic domain, Japan participates in the regional and multilateral forum of ASEAN – ASEAN

Plus Three (APT), East Asia Summit (EAS), and ASEAN Regional Forum (ARF) – and has shared strategic interests in free trade agreements such as Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and Regional Comprehensive Economic Partnership (RCEP) (Figure 1). In other domains, the case studies provide in-depth analyses on the bilateral relationship between the countries and Japan’s role in their countries.

Figure 1. Relations of Regional Economic Treaties²



1 ISEAS Yusof Ishak Institute, *The State of Southeast Asia 2020: Survey Report*, Singapore: ISEAS-Yusof Ishak Institute, 2020; Idem., *The State of Southeast Asia 2021: Survey Report*, Singapore: ISEAS-Yusof Ishak Institute, 2021.

2 Koki Shigenoi and David Merkle, “The Geoeconomics of US-China Relations: What Does it Mean for ASEAN?” *Diplomatic Briefing 4*, forthcoming.

The reasons why Japan is favoured in Southeast Asia can be summarised in the following three main points:

Economic Assistance and Trade. Japan has long supported economic development in Southeast Asia through ODA, infrastructure development assistance, training programmes, and investment. Japan is also a significant trading partner for ASEAN countries, with many countries having improved their trade balance with Japan through bilateral and multilateral trade agreements. This development assistance and economic relationship is the most important reason why Japan is gaining trust in the region.

No-Intervention in Politics. While Japan has strong economic ties with ASEAN countries, Tokyo has not intervened in the region's domestic politics. For instance, Japan's soft approach to human rights, which differs from Western countries' approach, serves to build good relations with political leaders in the region.

Soft Power. Today, Korean pop culture – K-Pop stars, films, cuisine, etc. – has gained huge popularity worldwide, but Japanese soft culture is still attracting many people in Southeast Asia. Japan's cultural products and advanced technology, combined with long-standing economic assistance and other factors, have formed the foundation of Japan's popularity.

SOUTHEAST ASIA WANTS TO HEDGE AGAINST US-CHINA COMPETITION

None of the Southeast Asian countries want to choose a side and military confront these foes. The five ASEAN countries surveyed in this study shared a common threat perception of China's rise, but their approaches and relationship with Japan are different:

Cambodia. According to Cheunboran and Bong, Phnom Penh has maintained its hedging strategy. Cambodia is worried that its growing dependence on China may erode its own strategic autonomy, weakening its ability to manoeuvre and navigate the great power competition. For Phnom Penh, the authors argued that there is no other credible hedging power except Japan, a strategic partner of Cambodia since 2013. The Cambodian Constitution stipulates "permanent neutrality" and "non-alignment," therefore, an outright alignment with China would violate the Constitution. Phnom Penh also understands the need to respond to Beijing's proxy accusation. Cambodia was the first ASEAN member to publicly support Japan's 'Free and Open Indo-Pacific' (FOIP) vision, and this proves, both domestically and internationally, that it has never distanced itself from the Constitution and commitment to maintaining an independent foreign policy. Japan's economic and societal development assistance plays a vital role in Cambodia's strategic diversification. In short, Japan serves Cambodia as a soft balancing and a unique hedging option.

Indonesia. Ziegenhain discusses that Japan and Indonesia benefit from common strategic and security interests – especially in the South China Seas. For instance, following China's offensive coast guard activities around the Natuna Islands in early 2021, Jakarta invited Japan to invest in the Islands. Recently, the two countries continued talks aimed at 'strategic partnership,' accelerating an arms deal. In 2015, Tokyo and Jakarta signed MOU on defence cooperation, and both countries held 'two-plus-two' security talks in Indonesia; the first such forum with a member of ASEAN for Japan. In 2021, the defence ministers agreed to conduct joint exercises in the South China Sea. Ziegenhain forecasts that if China becomes

more aggressive in the South China Sea, Indonesia will move toward the Japan-US camp. Jakarta sees Japan as a US ally that can help mitigate the threat of China. The bilateral relations are not an alliance but rather a hard balancing vis-à-vis China through military cooperation, whereas the strong economic ties between the two countries work as a soft balancing.

The Philippines. Japan and the Philippines are both US treaty allies. Misalucha-Willoughby and Palma explain that strengthened bilateral relations can act as a counterweight to China's offensive activities in the region. Filipino strategic community sees Japan as the most trusted external power in Southeast Asia. Intriguingly, Manila supports AUKUS as strategic interests converge in confronting the China factor. In light of China's growing military presence in the region, Japan adopts a more hawkish military policy. The authors argue that while a more "muscular" Japan may serve the Philippines' strategic interests, both countries should ensure policy alignment and complementarity. The authors pointed out the significance of technology transfer and soft power for improving Japan-Philippines relations. One example of soft balancing is the use of technology transfer and soft power.

Vietnam. In 2009, Japan became the first G7 nation to be Vietnam's 'strategic partner.' Although bilateral relations until the 2008 global financial crisis were mainly confined to economic and development matters, both countries upgraded their relationship to the "Extensive Strategic Partnership for Peace and Prosperity" in 2014 following the signing of the strategic partnership agreement. Since then, the two countries have cooperated on security affairs, particularly maritime security. For example,

Japan implements defence equipment transfer, maritime capacity building, and joint maritime exercise. In September 2021, the two countries' defence ministers signed the "Japan-Vietnam Defense Equipment and Technology Transfer Agreement." In November 2021, Hanoi and Tokyo agreed to "accelerate consultations for the transfer of specific equipment including naval vessels and related equipment," expanding the cooperation areas to cybersecurity and military medicine. Furthermore, as a US ally, Japan can function as an effective backchannel for Hanoi to indirectly cooperate with Washington on security issues in view of Hanoi's concern about Beijing's response to its more open engagement with the United States. At the economic level, Japan is also seen as a counterbalance against China.

Thailand. In 2012, the Japan-Thailand relationship was upgraded to a 'strategic partnership.' This is because both countries share the same concerns about emerging Chinese influence in the region and a territorial dispute in the South China Sea. Bangkok considers Tokyo as a regional balancer and security stabiliser. In the security domain, both defence ministries signed MOU on defence cooperation. What is more, Japan offered financial and technical support to establish the "ASEAN-Japan cybersecurity capacity building center in Bangkok." Despite the strategic relationship and ongoing security cooperation, based on its foreign policy principles of 'flexibility' and 'combined engagement,' Thailand is trying to maintain a balance of power among major powers in the region. This includes its treaty ally the United States, China, and Japan, and is cautious not to become too close to any one of them.

JAPAN CAN PLAY A HEDGING ROLE

By promoting defence and security cooperation with Southeast Asia, the rules-based camp for international order in the Indo-Pacific may strengthen deterrence vis-à-vis China. Moreover, by using economic and cultural power, Tokyo is expected to play a hedging role against the deepened economic dependence on China.

THERE ARE LIMITATIONS

As mentioned above, Japan is the most prominent hedging option for Southeast Asia, but it has limitations. First, there is the Japan-US alliance's hard-balancing policy against China. This approach is not consistent with ASEAN's attempts to remain neutral. From the Southeast Asian perspective, Japan lacks foreign policy independence from the United States, and this defines the limitation of Japan. In this report, Koga and Cheunboran & Bong discussed this limitation. Second, due to Constitutional constraints, Japan has a limited role to play in the security domain. All authors pointed out this Constitutional restraint, and for this reason, Indonesia and Thailand do not see Japan as an alternative provider of security against China. Third, although to a lesser extent than in Europe and the United

States, Japan's 'values-oriented diplomacy,' such as promoting democracy and good governance, does not resonate as much as China's 'non-interference approach.' This is probably a common understanding among ASEAN nations. Fourth, as Cheunboran & Bong and Ziegenhain argue, Japan lacks decisiveness in deal-making and investment decisions as well as straightforward implementation. Conversely, the Chinese business community succeeded in seizing available opportunities quickly. As a deal-maker, China sometimes invests in a way that would never happen among global investors, but these kinds of deals are welcomed in the countries.

EUROPE CAN COMPLEMENT

The limitations of Japan's engagement toward ASEAN countries revealed by the study can be resolved. While the United States is unable to make a full-scale commitment to Southeast Asia, Japan's limited alternatives for the region can be complemented by the European Union. Amid an escalating US-China competition, Japan and Europe need to unite to "buy some time" until the US begins full commitment. This report discusses this in the concluding observations.



Japan-ASEAN Study

Alternative Strategic Partner in Southeast Asia? The Role of Japan in the US-China Rivalry

Kei Koga



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INTRODUCTION

The intensification of US-China rivalry has become one of the most important determinants of strategic dynamics in the Indo-Pacific region. With its increasing economic and military capabilities, China has expanded its socio-economic influence, particularly through the Belt and Road Initiative (BRI), and its naval presence in the Pacific and Indian Oceans. In response, the United States has adopted the “Free and Open Indo-Pacific” (FOIP) strategy to counter China’s influence through minilateral frameworks, namely, the Australia-India-Japan-US consultation group (Quad) and the Australia-UK-US trilateral security partnership (AUKUS). In light of deepened economic interdependence, the immediate emergence of the cold-war-type strategic division is unlikely; however, we cannot dismiss the possibility that a gradual decoupling would eventually divide the region between China and the United States over the long-term.

Southeast Asia is no exception. Located at the centre of the Indo-Pacific and with vast natural resources and vital sea lines of communication (SLOCs), the sub-region has long attracted the great power involvement. Furthermore, the Association of Southeast Asian Nations (ASEAN) has represented

the epicentre of Asian regional institutional architectures which provides a source of diplomatic legitimacy; with both China and the United States now competing over ASEAN’s support for their respective strategic vision. Although Southeast Asian states attempt to ensure regional autonomy and play a key role in nurturing Asian regionalism under the banner of “ASEAN Centrality,” the great power strategic competition has made it (even more) difficult for ASEAN to maintain its unified front.¹ In other words, the region would be slowly divided by great power competition.

1 Here I use the minimalist definition of “ASEAN Centrality,” which is to “[withhold] chairpersonship of the ASEAN-led forums and the ‘ASEAN Way,’ whose principles include the non-interference principle and consensus decision-making procedure.” Kei Koga, “Japan’s Free and Open Indo-Pacific Vision under Suga: Transition and Future Challenges in Southeast Asia,” *East Asia Policy* 13/3 (2021): 95; Tan See Seng, “Consigned to hedge: south-east Asia and America’s ‘free and open Indo-Pacific’ strategy,” *International Affairs* 96/1 (2020): 131-148. For ASEAN Centrality, see Mely Caballero-Anthony, “Understanding ASEAN’s centrality: bases and prospects in an evolving regional architecture,” *The Pacific Review* 27/4 (2014): 563-584; Tan See Seng, “Rethinking ‘ASEAN Centrality’ in the Regional Governance of East Asia,” *The Singapore Economic Review* 62/3 (2017): 721-740.



Although Southeast Asian states attempt to ensure regional autonomy and play a key role in nurturing Asian regionalism under the banner of “ASEAN Centrality,” the great power strategic competition has made it difficult for ASEAN to maintain its unified front. In other words, the region would be slowly divided by great power competition.



In this context, Japan holds a unique position. Obviously, Japan has a strong treaty ally with the United States, and has been deeply involved in the US regional and global strategy. Moreover, the Japanese government has openly indicated that its main strategic priority is to continuously enhance the US-Japan alliance as the very core element of Japan's diplomatic strategy. However, this does not mean that Japan has little agency in determining its diplomatic, economic, and security policy. Japan has been engaging with Southeast Asia since the early 20th century, and in 1977 Japan created the so-called “Fukuda Doctrine” to overcome the legacy of the Second World War, where it emphasised an “equal partner[ship]” with ASEAN. Since then, Japan has facilitated the region's socio-economic development, increased regional states' military capacity, and contributed to secure state sovereignty and regional autonomy in Southeast Asia.

Certain questions emerge – can Japan mitigate the strategic impact of the intensified great power competition between the United States and China? What strategic role can Japan play in Southeast Asia? In this chapter, I argue that by maintaining its engagement with China, Japan can play a bridging role in Southeast Asia between the United States and China. This could prevent Southeast Asia from inevitably choosing sides and being divided by US-China rivalry, at least for the time being. This is in line with Japan's own FOIP vision and Southeast Asia's preference for maintaining “equidistance” with regional great powers. However, increasing tension between Japan and China means that Japan's strategic approach is shifting further towards the United States. Moreover, its strategic option for engagement would likely dissolve in the future unless Japan and ASEAN cooperate in facilitating the creation of the “Quad-Plus,” policy coordination on such areas as infrastructure development, and an alternative approach to pursue the human rights agenda.

This chapter is divided into three parts. First, I will discuss the historical development of Japan's strategic engagement in Southeast Asia in the post-World War II era. Second, I will examine Japan's shifting strategic interests in the Indo-Pacific in the context of US-China strategic competition. Third, I will analyse convergence and divergence of Japan's FOIP and the ASEAN Outlook on the Indo-Pacific (AOIP), as well as the future challenges. Lastly, I will discuss three policy options that Japan and ASEAN could pursue in mitigating the US-China strategic rivalry in future.

BACKGROUND: DEVELOPMENT OF JAPAN'S STRATEGIC ENGAGEMENT IN SOUTHEAST ASIA

Japan has been strongly committed to Southeast Asia since the early 20th century, but their relationship was never smooth. Due to the region's collective memory on Japan's invasion during the Second World War and its self-serving economic policy toward the region in the immediate post-war era, Southeast Asian states remained sceptical about Japan's strategic intention despite its significant economic assistance as post-war reparations. This is well illustrated by the massive protests against Prime Minister Tanaka's visits to Southeast Asia in 1974, particularly in Indonesia and the Philippines; and clearly damaged Japan's post-war diplomatic strategy to maintain "its position as an Asian country."²

To overcome such negative perceptions of Southeast Asia, on 18 August 1977 Prime Minister Takeo Fukuda made a historical speech in the Philippines, which became the so-called "Fukuda Doctrine." In this doctrine, Japan promised (1) not to become a military power that poses threats to the region; (2) to nurture "heart-to-heart" relationship with Southeast Asian countries; and (3) to facilitate cooperation with ASEAN and Indochinese countries.³

2 For example, see Richard Halloran, "Violent Crowds in Jakarta Protest the Visit by Tanaka," *The New York Times*, 16 January 1974, <https://www.nytimes.com/1974/01/16/archives/violent-crowds-in-jakarta-protest-the-visit-by-tanaka-thousands.html>; Richard Halloran, "Tanaka's Explosive Trip," *The New York Times*, 21 January 1974, <https://www.nytimes.com/1974/01/21/archives/tanakas-explosive-trip-roots-of-the-antijapanese-outbursts-in.html>; Ministry of Foreign Affairs of Japan, "Waga gaiko no kinkyō (Dai nigo)" (Our diplomatic situation (No. 2)), March, 1958, <https://www.mofa.go.jp/mofaj/gaiko/bluebook/1958/s33-1-2.htm>

3 "Chapter Three: Diplomatic Efforts Made by Japan," in Ministry of Foreign Affairs of Japan, *Diplomatic Bluebook for 1977: Review of Recent Developments in Japan's Foreign Relations*, Tokyo: MOFA, 1977.

The significance of this doctrine was Japan's renewed diplomatic commitment to Southeast Asian states, which emphasised equal partnerships regardless of their power differences. This became possible partly because Japan was no longer a significant military threat toward the region as it was constitutionally, legally, politically, and socially constrained despite its rising economic status. Southeast Asian states, mainly the ASEAN members, welcomed this diplomatic approach because they were able to benefit from Japan's increasing economic assistance and diplomatic respect in negotiations over trade and development assistance.⁴

Since then, Japan has supported the socio-economic and political development of Southeast Asian states without posing a political and military threat. Of course, towards the end of the Cold War era, several Southeast Asian states, such as Singapore, raised a strategic question with regard to Japan's potential security role in the Asia-Pacific region. However, Japan constantly reassured them that it would not become a military power and take advantage of the post-Cold War power vacuum in the region. At the same time, it continuously contributed to economic development in the region, including politically stabilising Indo-China states.⁵ Since the early 2000s, Japan's economic power has been in

4 Lam Peng Er, *Japan's Relations with Southeast Asia: The Fukuda Doctrine and Beyond*, Oxon and New York: Routledge, 2013; Kei Koga, "Transcending the Fukuda Doctrine: Japan, ASEAN, and the Future of the Regional Order," *Strategic Japan Working Paper* (CSIS Japan Chair), https://csis-website-prod.s3.amazonaws.com/s3fs-public/170401_Japan_SEAsia.pdf?fEe-O7OZFMmS2g7NiPUB_sG4HI0xUpjT

5 Kei Koga, *Reinventing Regional Security Institutions in Asia and Africa: Power Shifts, Ideas, and Institutional Change*, Oxon and New York: Routledge, 2017; Kei Koga, "Emerging Powerplay in the Mekong Subregion: A Japanese Perspective," *Asia Policy* (2022) [forthcoming].

relative decline vis-à-vis China, yet it still has an economic presence in foreign direct investment, even in generally pro-China states, such as Cambodia and Laos.⁶

In addition, Japan has been supporting ASEAN's effort for institution-building since the 1990s. As ASEAN feared diplomatic marginalisation by regional great powers' initiatives to establish new regional multilateral institutions in the post-Cold War era, such as Asia Pacific Economic Cooperation (APEC), Japan reassured Southeast Asian states that ASEAN remains the most important regional institution. What is more, it provided diplomatic support for ASEAN's institution-building initiatives, such as the establishment of the ASEAN Regional Forum in 1994, ASEAN-Plus-Three (APT) in 1997, the East Asia Summit (EAS) in 2005, and the ASEAN Defense Ministers Meeting Plus (ADMM-Plus) in 2010.

This good relationship has culminated in Southeast Asian elites' positive perceptions toward Japan. According to a survey conducted by the ISEAS Yusof Ishak Institute in 2019, 2020, and 2021, Japan was one of the most trusted strategic partners and an alternative player in the context of US-China strategic competition.⁷ Of course, these general elite perceptions do not always reflect policies of individual Southeast Asian states and ASEAN. However, this has

become Japan's diplomatic asset in order to gain a general support from Southeast Asia, particularly when it takes the initiative to play a more proactive role in the region and beyond.

EMERGENCE OF US-CHINA STRATEGIC COMPETITION: JAPAN'S STRATEGIC INTERESTS

Strategically, Japan's engagement in Southeast Asia has gradually changed since the 2000s. The main cause was the rise of China's diplomatic and economic influence in ASEAN. Following the 1997 Asian Financial Crisis, China began to strengthen its relations with ASEAN, such as the framework for the ASEAN-China Free Trade Area (ACFTA) in 2002, and its strong support for ASEAN's multilateral initiatives which excluded the United States, including the establishment of the "East Asian community." Japan responded by enhancing its economic and diplomatic ties with ASEAN and attempted to maintain open regionalism, where the United States would be able to re-engage in the region after strategically shifting its focus from the Middle East to East Asia in the late 2000s.

In this context, it was in the 2010s that the clear strategic rivalry between the United States and China began to emerge. In 2010, the United States started committing to stability in the South China Sea, which China considered a disruptive move to its own maritime claims. For its part, Japan was also faced with China's assertive behaviour in the East China Sea and the Senkakus. In particular this was witnessed in 2010 and 2012 when China exerted economic pressure on Japan by temporarily stopping the export of rare earth elements after a Chinese boat rammed into Japanese coastguard ships, and when China consolidated its maritime presence near

6 Kei Koga, "How strategic is 'asymmetric' strategic partnership? Japan's partner diplomacy toward Cambodia and Laos," *Asian Security* (2021), DOI: <https://doi.org/10.1080/14799855.2021.1982898>.

7 ISEAS Yusof Ishak Institute, *The State of Southeast Asia 2020: Survey Report*, Singapore: ISEAS-Yusof Ishak Institute, 2020; ISEAS Yusof Ishak Institute, *The State of Southeast Asia 2021: Survey Report*, Singapore: ISEAS-Yusof Ishak Institute, 2021; ISEAS Yusof Ishak Institute, *The State of Southeast Asia: 2022 Survey Report*.

the Senkaku Islands, respectively.⁸ These national security incidents prompted Japan to forge a united front vis-à-vis China with the United States and other like-minded states. This was particularly the case under Prime Minister Shinzo Abe who assumed his second-term as prime minister from December 2012; during which time he advocated for the imperative of forming a democratic coalition with the United States, Australia, and India, in addition to the United Kingdom and France, to counter China.⁹

Japan's threat perception was further heightened around 2016 when China explicitly challenged the existing international order; one that had largely been led by the United States in the aftermath of the Cold War.¹⁰ More specifically, there were two significant events. One was China's BRI. One of the BRI's major vehicles was development assistance with China's own standards, which did not necessarily comply with international ones, such as environmental protection, labour rights, and economic/financial viability.¹¹ Developing states in Asia, including Southeast Asia, were attracted by these softer standards as illustrated by

Japan's bid for the Jakarta-Bandung High Speed Railway in Indonesia was lost to China in 2015. The other was China's rejection of the 2016 South China Sea Arbitration Tribunal Award. Although China's position has been constant, the actual rejection of the tribunal ruling triggered international concerns that China may well defy international rules and norms to protect its national interests in the future.

In this context, in 2016 the Abe administration launched the FOIP strategy (later, FOIP "vision") in order to maintain the existing rules-based international order.¹² More specifically, it emphasised three basic principles: (1) "Promotion of establishment of the rule of law, freedom of navigation, free trade, etc."; (2) "Pursuit of economic prosperity"; and (3) "Commitment for peace and stability."¹³ To this end, Japan began to strengthen its ties with the United States, Australia, and India, formulating the so-called "Quad," while engaging regional states and institutions, particularly ASEAN, and its centrality in the Indo-Pacific. Japan's basic strategic approach has been consistent even after the leadership changes from Abe to Yoshihide Suga in 2020 to Fumio Kishida in 2021.¹⁴

8 Ministry of Foreign Affairs of Japan, 'Trends in China Coast Guard and Other Vessels in the Waters Surrounding the Senkaku Islands, and Japan's Response,' 29 November 2021, https://www.mofa.go.jp/region/page23e_000021.html.

9 Shinzo Abe, "Asia's Democratic Security Diamond," *Project Syndicate*, 27 December 2012, <https://www.project-syndicate.org/onpoint/a-strategic-alliance-for-japan-and-india-by-shinzo-abe>

10 Kei Koga, "Japan's 'Indo-Pacific' question: countering China or shaping a new regional order?" *International Affairs* 96/1 (2020): 49-73; Tomohiko Satake and Ryo Sahashi, "The Rise of China and Japan's 'Vision' for Free and Open Indo-Pacific," *Journal of Contemporary China*, 30/127 (2021): 18-35.

11 Kei Koga, "Japan's 'Free and Open Indo-Pacific' Strategy: Tokyo's Tactical Hedging and the Implications for ASEAN," *Contemporary Southeast Asia* 41/2 (2019): 286-313.

12 Shinichi Kitaoka, "Vision for a Free and Open Indo-Pacific," *Asia-Pacific Review* 26/1 (2019): 7-17; Yuichi Hosoya, "FOIP 2.0: The Evolution of Japan's Free and Open Indo-Pacific Strategy," *Asia-Pacific Review* 26/1 (2019): 18-28.

13 It is noted that these principles were not clearly discussed at first. MOFA, "Free and Open Indo-Pacific," 1 April 2021, <https://www.mofa.go.jp/files/000430632.pdf>.

14 Koga, "Japan's Free and Open Indo-Pacific Vision under Suga"; Kei Koga, "Quad 3.0: Japan, Indo-Pacific, and Minilateralism," *East Asia Policy* (2022) [forthcoming].

FOIP AND AOIP: CONVERGENCE AND DIVERGENCE

Despite Japan's enthusiastic engagement, however, some ASEAN member states were sceptical about its strategic vision for three main reasons. First, Japan's FOIP vision did not initially include the role of ASEAN in the Indo-Pacific. While emphasising the importance of strategic cooperation with Quad members, Japan did not indicate its treatment of ASEAN in the FOIP vision until 2018, when some ASEAN member states raised concerns over it.¹⁵ Since then, Japan has emphasised the importance of ASEAN, yet ASEAN's scepticism has lingered. Second, some ASEAN member states have been concerned about China's reaction if they would formally support Japan's FOIP vision. Indeed, China has not accepted the term, "Indo-Pacific," as a new geographical concept and long avoided its use. Unless carefully considered, institutionally accepting Japan's FOIP would mean that ASEAN positions itself against China, which is why ASEAN avoided explicitly endorsing the vision. Third, ASEAN was not certain about whether the concept of the Indo-Pacific would gain currency in the future. Given the strategic risk that ASEAN might face by supporting the concept, ASEAN adopted a wait-and-see approach. This was the optimal position for ASEAN as the institution operates under the consensus decision-making process, and there was no rigid consensus to establish its own Indo-Pacific outlook.¹⁶

15 "Indo taiheiyo, kieta 'senryaku' seifu ga 'koso' nishusei" [Indo-Pacific: Disappeared 'Strategy: The Japanese Government Altered It to 'Vision'], *Nikkei Shimbun*, 13 November 2018.

16 For example, see Kavi Chongkittavorn, "ASEAN Sets Sail with Its Indo-Pacific Vision", *reportingasean*, n.d., <https://www.reportingasean.net/asean-sets-sights-indo-pacific-vision/>

Nevertheless, ASEAN adopted the "ASEAN Outlook on the Indo-Pacific" (AOIP) in June 2019. This is mainly because the "Indo-Pacific" narrative had been rapidly applied by the regional major powers, including the United States, Australia, India, and Japan; while European states were increasingly interested in engaging the region. Since their Indo-Pacific strategies contain implicit or explicit anti-China elements, ASEAN's neutral approach would likely be neglected.¹⁷ Therefore, ASEAN created the AOIP, which highlighted "dialogue and cooperation instead of rivalry" and the importance of "ASEAN Centrality" in the region.¹⁸ This helps ASEAN to assert its regional autonomy by focusing on its own Indo-Pacific vision without relying on those major powers' regional visions.

That said, a number of points converged between the AOIP and Japan's FOIP. The AOIP stipulates a plethora of shared principles, including ASEAN Centrality, openness, transparency, inclusivity, a rules-based framework, good governance, and respect for international law, while highlighting four areas of cooperation; namely, maritime cooperation, connectivity, UN Sustainable Development Goals (SDGs), and economic and other possible areas of cooperation. What is more, ASEAN expressed its openness to working with other regional cooperative frameworks in the Indo-Pacific region. Since Japan has long advocated the same principles

17 For example, see White House, "National Security Strategy of the United States of America," December 2017, <https://trumpwhitehouse.archives.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905.pdf>; White House, "Interim National Security Strategic Guidance," March 2021, <https://www.whitehouse.gov/wp-content/uploads/2021/03/NSC-1v2.pdf>.

18 ASEAN Secretariat, "ASEAN Outlook on the Indo-Pacific," 23 June 2019, https://asean.org/asean2020/wp-content/uploads/2021/01/ASEAN-Outlook-on-the-Indo-Pacific_FINAL_22062019.pdf

that the AOIP stipulates, and because Japan has already engaged in functional cooperation with the ASEAN member states, there have already been some synergies between the AOIP and the FOIP. Indeed, Japan and ASEAN issued a joint statement on cooperation on AOIP in November 2020, specifying the AOIP's four areas of cooperation that Japan and ASEAN had already engaged in, such as illegal, unreported and unregulated (IUU) fishing counter-measures, quality infrastructure development, the establishment of the ASEAN Centre for Public Health Emergencies and Emerging Diseases (ACPHEED), and the adoption of the 2020 ASEAN-Japan Economic Resilience Action Plan.¹⁹ It is likely that these functional areas of cooperation would expand further in future as Japan and ASEAN have long cultivated their partnerships through such cooperation. Also, ASEAN was relatively comfortable with Japan's strategic approach which did not entirely counter China unlike the United States.

Nevertheless, divergences exist in three ways.²⁰ First, Japan and ASEAN are still ambiguous about "ASEAN Centrality" despite their repeated emphasis on and respect for the principle. While Japan has supported a rapid institutionalisation of the Quad, particularly under the Biden administration since 2021, it has yet to clarify how Japan envisions a division of labour between the Quad and ASEAN with ASEAN Centrality, as well as what role Japan expects ASEAN to play in the Indo-Pacific. On the other hand, ASEAN also remains ambiguous about its

main role in the Indo-Pacific; it only states its diplomatic hopes to pursue functional cooperation and mitigate US-China strategic rivalry. Consequently, they are both unable to articulate a new strategic role of ASEAN.

Second, their use of "inclusivity" differs from one another. Japan states that it does not exclude any state that shares the same Indo-Pacific vision.²¹ Yet, this infers that Japan would not include those with different visions, and therefore, its inclusivity is conditional. For its part, ASEAN highlights the importance of dialogue which mitigates differences between actors, and thus, its inclusivity is unconditional. The Regional Comprehensive Economic Partnership (RCEP) is a case in point. ASEAN took the initiative for RCEP by inviting regional states, including both China and Japan, to formulate a regional free trade area in East Asia despite their diverging economic principles and perspectives. In this context, Japan's Indo-Pacific vision may create a strategic division in the region as opposed to ASEAN's diplomatic approach. In the worst case, ASEAN would oppose Japan's FOIP vision in future.

Third, Japan's strategic approach towards China began to shift after WHO declared COVID-19 a pandemic in March 2020. Admittedly, Japan is still relatively open to engagement with China as illustrated by the Abe administration's attempt to host the summit meeting with President Xi Jinping in April 2020. Even after Abe's sudden resignation in September 2020, his successor Suga was eager to engage with China.²² Japan's new prime minister,

19 MOFA, "Joint Statement of the 23rd ASEAN-Japan Summit on Cooperation on ASEAN Outlook on the Indo-Pacific," 12 November 2020, <https://www.mofa.go.jp/files/100114942.pdf>; MOFA, "Japan's Cooperation Projects on AOIP as of Nov. 2020, Example of the projects," November 2020, <https://www.mofa.go.jp/files/100115874.pdf>.

20 Also, see Koga, "Japan's Free and Open Indo-Pacific Vision under Suga," (2021).

21 MOFA, "Japan-U.S. Working Lunch and Japan-U.S. Summit Meeting," 6 November 2017, https://www.mofa.go.jp/na/na1/us/page4e_000699.html

22 Prime Minister of Japan and His Cabinet, "Policy Speech by Prime Minister to the 204th Session of the Diet," 18 January 2021, https://japan.kantei.go.jp/99_suga/statement/202101/_00013.html.



Therefore, the recent trend shows that Japan adopts a firmer stance toward China, and Japan's comparative advantage vis-à-vis ASEAN in strengthening functional cooperation without politicisation could potentially likely diminish over time. Nevertheless, this does not mean that Japan is destined to confront China and divide ASEAN. In fact, there is still scope, albeit shrinking, to mitigate the impact of strategic rivalry in Southeast Asia.



Kishida, has also illustrated the importance of cultivating constructive and stable relations.²³ However, in light of China's continuous assertiveness and Japan's close relations with the United States, whose China policy has been increasingly confrontational, Japan began to share the US' uncompromising approach towards China. This approach is not necessarily compatible with ASEAN's attempts to remain neutral.

23 Prime Minister of Japan and His Cabinet, "Policy Speech by Prime Minister Kishida Fumio to the 207th Session of the Diet," 6 December 2021, https://japan.kantei.go.jp/101_kishida/statement/202112/_00002.html.

Therefore, the recent trend shows that Japan adopts a firmer stance toward China, and Japan's comparative advantage vis-à-vis ASEAN in strengthening functional cooperation without politicisation could potentially likely diminish over time. Nevertheless, this does not mean that Japan is destined to confront China and divide ASEAN. In fact, there is still room, albeit shrinking, to mitigate the impact of strategic rivalry in Southeast Asia.

CONCLUSION: JAPAN'S STRATEGIC ROLE IN SOUTHEAST ASIA

Currently, the Indo-Pacific region has become the backdrop for great power competition. This is also affecting Southeast Asian stability as the geographical centre, and could potentially divide the region. And yet, together with ASEAN, Japan can play a role in mitigating such tension in three ways. First, Japan can facilitate the "Quad-Plus" formula to create linkages with the Quad members, ASEAN, and China. The Quad has been steadily institutionalised since 2017, and its cooperative agendas have been rapidly expanding, ranging from counter-COVID-19 to critical and emerging technology to infrastructure to climate change/crisis. Given the transnational nature of these agendas, the Quad can create a "Quad-Plus" formula to invite external actors on an issue-by-issue basis, such as climate change with China and infrastructure with ASEAN.²⁴ This flexible arrangement does not require strong diplomatic commitment from external actors while potentially facilitating

24 Kei Koga "Nurturing the 'Quad-Plus' Formula: Institutional Perspective of Japan's FOIP," in Jagannath Panda and Ernest Gunasekara-Rockwell (eds.), *Quad Plus and Indo-Pacific: The Changing Profile of International Relations*, Oxon and New York: Routledge, 2021.

cooperative activities between them. Since Japan has diplomatic trust of ASEAN and is relatively open to engage with China on the condition that China complies with existing international rules and norms, Japan is well-positioned to create such links through the Quad.

Second, the current strategic competition has spilled over to development areas, such as infrastructure development in the Mekong subregion. In fact, development competition between Japan and China started around the mid-2010s, when China and Japan, respectively, launched the BRI in 2013 and the “Partnership for Quality Infrastructure” in 2015. Such competition was once alleviated by diplomatic efforts taken by both China and Japan between 2017 and 2019 to update infrastructure development cooperation in a third country based on quality infrastructure development standards that both agreed to at G20 in 2019.²⁵ While momentum was thwarted owing to the emergence of COVID-19 in 2020, ASEAN still provides a good channel, particularly APT, to seek potential areas of development cooperation. As ASEAN considers making Mekong development a regular agenda, this becomes a good opportunity to not only depoliticise them but also to strengthen ASEAN Centrality. Furthermore, Japan can play a bridging role between China, ASEAN, and the Quad member states, including the United States, since the Quad is now interested in discussing the regional development issue.

Third, the rise of the human rights agenda on the international arena, such as Myanmar and Xinjiang, may provide new diplomatic momentum for Japan

25 MOF, “G20 Principles for Quality Infrastructure Investment,” 2019, https://www.mof.go.jp/english/policy/international_policy/convention/g20/annex6_1.pdf.

and ASEAN to cooperate with each other through the shared principle; albeit the issue is a double-edged sword. ASEAN is unlikely to reach consensus on the issue due to varying perspectives among the member states. However, the institution has recently adopted a different strategy, such as not inviting Myanmar’s junta. Also, while Japan traditionally maintains a soft approach on human rights agendas, Japan under the Kishida administration has also been seeking a way to proactively pursue the human rights agenda by establishing a special advisor on human rights issues to Prime Minister.²⁶ In this context, by closely coordinating with those actors that stand firm on human rights by use of economic and military sanctions, such as the United States and the EU, Japan and ASEAN member states could forge a new coalition to push forward human rights through alternative means, such as use of diplomatic persuasion and peer pressure.²⁷

The strategic environment surrounding Japan and Southeast Asian states have been rapidly changing in the context of US-China strategic competition, which could likely divide the region and cause security instability. To avert such a risk, the key will be to establish diverse approaches and means – clarifying a division of labour among actors – to maintain and enhance internationally shared rules and norms. Although a window of opportunity is narrowing, there are still more strategic roles that Japan and ASEAN can play to that end.

26 “Ex-defense chief Nakatani to be Japan’s adviser on human rights,” *Kyodo News*, 8 November 2021, <https://english.kyodonews.net/news/2021/11/7f50b69f2f30-ex-defense-chief-nakatani-to-be-japans-adviser-on-human-rights.html>.

27 For example, Tan See Seng, “Herding cats: the role of persuasion in political change and continuity in the Association of Southeast Asian Nations (ASEAN),” *International Relations of the Asia-Pacific*, 13/2 (2013): 233-265.



Cambodia Case Study



Japan's Influence in Cambodia: Opportunities and Constraints

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INTRODUCTION

After gaining independence from France on 9 November 1953, Cambodia gradually attempted to foster stronger diplomatic relations with Japan, which had just lost the Second World War and was still largely devastated by the conflict. In November 1954, under Prince Norodom Sihanouk's leadership, Cambodia renounced its rights to claim war reparations related to the Second World War. Tokyo warmly received the good gesture, with the two sides soon signing a treaty to further cement their eternal friendship. Japan's relations with Cambodia entered a new phase following the coup on 18 March 1970 that ousted Prince Sihanouk from power, paving the way to create the Khmer Republic led by General Lon Nol. Since Japan was part of the capitalist bloc led by the US, which supported the Khmer Republic politically, militarily, and economically, Tokyo accommodated the situation and offered Lon Nol support; even though assistance

was mainly technical in nature and minimal in volume.¹ Once the Khmer Rouge had toppled the US-backed Khmer Republic and took over Cambodia on 17 April 1975, the diplomatic ties between Cambodia and Japan were largely interrupted. This resulted in the two countries ending their respective diplomatic mission. Although Japan recognised the Khmer Rouge regime in 1976, it did not reopen its embassy in Phnom Penh. Following the Vietnamese intervention in Cambodia in 1979 that toppled the Khmer Rouge regime and cleared the way for a new government in Phnom Penh called the "People's Republic of Kampuchea (PRK)," Japan continued to recognise the Khmer Rouge.

1 Sim Onn Leang, "Cambodia-Japan Relations: The Bumpy and Winding Road to the Strategic Partnership and Beyond." In Sok Udom Deth, Suon Sun, and Serkan Bulut (eds.), *Cambodia's Foreign Relations in Regional and Global Contexts*, Phnom Penh: Konrad-Adenauer-Stiftung, 2017, 181-203.

Throughout the 1980s, Japan adopted an active role in facilitating the end of the civil war and promoting peace and reconciliation in Cambodia as part of its “proactive pacifism” strategy.² In 1991, Japan co-chaired the Paris Peace Agreement and strongly supported the United Nations Transitional Authority in Cambodia (UNTAC), which held the first post-war democratic election. During the UNTAC mission, Japan deployed 608 ground troops, 75 civilian police, and 41 polling stations to help run the election.³ It is worth noting that the UNTAC mission marked the first time that the Japanese Self-Defense Force (JSDF) was deployed on foreign soil since the Second World War.⁴ Due to Japan’s significant contribution to the Cambodian peace process, the UN Undersecretary-General Yasushi Akashi was named the Head of UNTAC, overseeing all administrative matters during the transitional period. During the July 1997 political crisis between First Prime Minister Prince Norodom Ranariddh and Second Prime Minister Hun Sen, Japan proposed the “Four Pillars” solution to both major political parties, the Cambodian’s People Party (CPP) and FUNCINPEC. This prepared the ground for the second general election in 1998, and the complete disintegration of the remaining Khmer Rouge forces and Cambodia’s admission into ASEAN one year later. Finally, Japan had achieved its objective of helping Cambodia obtain peace following more than two decades of civil war and political turbulence.

Since the end of the civil war, Cambodia has maintained and continued to deepen its bilateral ties with Japan through regular high-level visits. By the end of 2021, Cambodian Prime Minister Hun Sen had visited Japan 23 times,⁵ while four Japanese prime ministers paid official trips to Cambodia between 1999 and 2019.⁶ Interestingly, the personal ties between Prime Minister Hun Sen and former Prime Minister Abe Shinzo have been very close and cordial. In August 2017, during his official visit to Japan, Prime Minister Hun Sen received a surprise birthday celebration organised by his Japanese host.

Furthermore, since 2010, the two countries have conducted four “Politico-Military” consultations and four “Military-Military” consultations to promote trust, confidence, policy coordination, and stronger ties on issues of common strategic interests.⁷ In 2013, Cambodia-Japan relations reached a new historic high by upgrading their relations to a “strategic partnership,” covering a broad range of issues such as defence and security. The timing of the upgrade and Cambodia’s participation in a joint communique with Japan and other ASEAN members emphasising freedom of overflight was striking, given that China had recently declared its Air Defence Identification Zone (ADIZ) over East China Sea. They shed light on Cambodia’s diversification strategy to maintain a balance of influence over its

2 Ibid.

3 Yasuhiro Takeda, “Japan’s Role in the Cambodian Peace Process: Diplomacy, Manpower, and Finance.” *Asian Survey* 38 (1998): 553–68.

4 Sheila A. Smith, *Japan Rearmed: The Politics of Military Power*, Cambridge MA: Harvard University Press, 2019.

5 Ministry of Foreign Affairs and International Cooperation of Cambodia, “Aide Memoire on Cambodia-Japan Bilateral Relations,” 9 December 2021. (This document cannot be accessed by the general public.)

6 “Japan-Cambodia Relations (Basic Data),” Ministry of Foreign Affairs of Japan, 2019, <https://www.mofa.go.jp/region/asia-paci/cambodia/data.html>, accessed 26 November 2021.

7 Chanborey Cheunboran, *Cambodia’s China Strategy: Security Dilemmas of Embracing the Dragon*, New York: Routledge, 2019.

foreign and security policy, and respond to the allegation of being China's proxy during its 2012 ASEAN chairmanship.

THE ROLE OF JAPAN IN CAMBODIA'S ECONOMIC AND SOCIAL DEVELOPMENT

Since the 1991 Paris Peace Agreement, Japan has played a critical role in Cambodia's post-war reconstruction and economic and social development. For instance, in June 1992, Japan convened the International Conference on the Reconstruction of Cambodia, resulting in 800 million US Dollars' worth of financial pledges by 33 countries, 200 million US Dollars of which came from Japan.⁸ Between 1992 and 2010, Japan gave Cambodia approximately 1.76 billion US Dollars in bilateral financial aid, focusing on developing hard and soft infrastructures, including the rehabilitation of the Chroy Changwa Bridge and the National Road 6A. As of today, Japan's total official development assistance to Cambodia totalled 2.37 billion US Dollars.⁹ Furthermore, during his visit to Cambodia in 2013, Japanese Prime Minister Shinzo Abe announced 4.5 million US Dollars to support Phnom Penh's mine clearance.¹⁰ Japan has been the single largest foreign donor to the Khmer Rouge Tribunal, providing around 88 million US Dollars or 27 per cent of the total budget as of 30 September 2021.¹¹

8 See note 1 above.

9 See note 6 above.

10 See note 1 above.

11 Extraordinary Chambers in the Courts of Cambodia (ECCC), "Summary of Financial Contributions as at 30 September 2021." Extraordinary Chambers in the Courts of Cambodia, <https://www.eccc.gov.kh/en/about-eccc/finances/summary-financial-contributions-30-september-2021>, accessed November 30, 2021.

In June 2007, Japan and Cambodia signed the Liberalisation, Promotion, and Protection of Investment Agreement in a mutual effort to boost bilateral trade and investment. As a result, Japan is currently the second largest foreign investor in Cambodia, having invested in 210 projects worth up to 3.1 billion US Dollars since 1994.¹² Meanwhile, the bilateral trade between the two countries stood at 2.10 billion US Dollars in 2020 and 1.50 billion US Dollars in the first eight months of 2021.¹³ Japan has also invested in seven Special Economic Zones in Phnom, Bavet, Sihanoukville, Poipet, and Koh Koh. More noticeably, Phnom Penh offered the Japan International Cooperation Agency (JICA) to take a 13.5 per cent equity stake in Cambodia's Port Authority Sihanoukville (PAS) in June 2017. As a major stakeholder, JICA is playing a vital role in managing Cambodia's largest and only deep-sea port that Japan has helped develop since 1999. A senior official at the Cambodian Ministry of Economics and Finance argues that JICA's involvement in the PAS is Phnom Penh's calculated move to diversify Cambodia's strategic asset.

Since the onset of the COVID-19 pandemic in 2020, Japan has continued to be a strong partner for Cambodia, providing logistical, financial, and medical support. For example, Japan has provided 70 ambulances, ten X-ray machines, 26 ultrasound equipment, and 63 oxygen generators to support

12 Pisei Hin, "CDC Okays 144 Japan Project Worth \$2.79B Since '94 Debut," *The Phnom Penh Post*, 15 February 2021, <https://www.phnompenhpost.com/business/cdc-okays-144-japan-projects-worth-279b-94-debut>.

13 Kunmakara May, "Cambodia-Japan Trade Tops \$1.5B," *The Phnom Penh Post*, 25 October 2021, <https://www.phnompenhpost.com/business/cambodia-japan-trade-tops-15b>.

Cambodia fight COVID-19.¹⁴ In June 2020, Japan offered 41 million US Dollars of ODA to support the public hospital system and human resources development.¹⁵ In addition, it has shipped approximately one million doses of the AstraZeneca vaccines, offered a total of 50 million US Dollars-worth of medical equipment, infection detection and prevention measure, and cold chain capabilities as well as 227 million US Dollars in loan to support Cambodia's cash benefit provision for a financially underprivileged population.¹⁶

JAPAN IN CAMBODIA'S STRATEGIC CONFIGURATION

Due to its geography of being locked between two historically antagonistic neighbours, Vietnam and Thailand, its developing economy, and the rising tension between the US and China, Cambodia has maintained a distinct hedging strategy; Japan has played a vital role in this for four main reasons. First, Cambodia is worried that its growing political and economic reliance on China may erode its own strategic autonomy, weakening its ability to manoeuvre and navigate the US-China competition. In this context, President of the Asian Vision Institute (AVI), Dr Chheang Vannarith, argued in an

interview with the authors that "Japan really matters in Cambodia's hedgy strategy for it is a 'reliable friend' in addition to China." Similarly, in another interview, a prominent Cambodian academic postulated that "Cambodia's engagement with Japan is part of Phnom Penh's hedging strategy to create and maintain strategic manoeuvrability between the US and China." Besides Japan, there is no other credible hedging power in the eyes of Cambodian strategists.¹⁷

Second, Cambodia needs to maintain its independent foreign policy as enshrined in Article 53 of its 1993 Constitution. This stipulates its foreign policy as "permanent neutrality" and "non-alignment." Therefore, an outright alignment with China would violate the constitution. In the same vein, Cambodia realises the need to repair its international image and respond to the accusation of being Beijing's proxy, following the "Phnom Penh Fiasco" in 2012, when ASEAN failed to issue a joint communique for the first time since 1967.¹⁸ Likewise, Cambodia was the first ASEAN member to publicly support Japan's Free and Open Indo-Pacific vision, although China has warned that the vision is a containment of Beijing. By deepening ties with Japan to a strategic level and pursuing the aforementioned manoeuvres, Cambodia proves to its internal and external audience that it has never actually steered away from its constitution and commitment to maintaining an independent foreign policy.

14 Samean Lay, "Japan Gives More Ambulances for Cambodia's COVID Fight," *The Phnom Penh Post*, 5 June 2021, <https://www.phnompenhpost.com/national/japan-gives-more-ambulances-cambodias-covid-fight>.

15 Dara Voun, "Japan Gives \$41M in New Aid," *The Phnom Penh Post*, 7 June 2021, <https://www.phnompenhpost.com/national/japan-gives-41m-new-aid>.

16 "Remaining Japan-donated AstraZeneca Vaccines Arrive in Cambodia," *Khmer Times*, 7 August 2021, <https://www.khmertimeskh.com/50910426/remaining-japan-donated-astrazeneca-vaccines-arrive-in-cambodia/>.

17 See note 6 above.

18 Ibid.



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Besides Japan, there is no other credible hedging power in the eyes of Cambodian strategists. Cambodia needs to maintain its independent foreign policy as enshrined in Article 53 of its 1993 Constitution (...) an outright alignment with China would violate the constitution.



Third, Japan is positively perceived by the Cambodian public for its quality infrastructure projects, genuine willingness to support Cambodia's post-conflict reconciliation and socio-economic development, and soft power appeal. According to one poll conducted by the Ministry of Foreign Affairs of Japan,¹⁹ 34 per cent of Cambodian respondents viewed Japan as the most reliable friend, compared to China, which scored only 21 per cent. When asked to rate Japan's reliability, 84 per cent of Cambodians trusted Tokyo for its financial assistance, proactive contribution to global peace and economic stabilisation, and strong standing on trade and security issues. Another poll by the Singapore-based ISEAS-Yusof Ishak Institute in 2021 indicates that approximately 84.6 per cent of Cambodian respondents are confident that Japan will "do the right thing" and

19 Ministry of Foreign Affairs of Japan, "Opinion Poll on Japan in ASEAN Countries," 2019, https://www.mofa.go.jp/p_pd/pds/page23e_000555.html, accessed 26 November 2021.

contribute to global peace and prosperity, pointing towards the highest positive rate among all ASEAN member states.

Besides economic influence, Japan also has a strong soft power appeal among the Cambodian public, especially young people. When asked which part of Japanese culture impresses them the most, 44 per cent points to the Japanese lifestyle and way of thinking, while Japanese pop culture receives strong appeal.²⁰ Likewise, Japan also scores points as one of the most preferred travel destinations for Cambodian tourists.²¹ The Cambodian population's positive perception towards Japan demonstrates to the ruling Cambodian People's Party that ties with Tokyo need to be maintained and deepened for the sake of its domestic legitimacy.

Fourth, Japan plays a key role in Cambodia's strategic diversification due to its long-standing economic support for the latter's socio-economic development. As explained in the previous section, Japan is currently the second-largest investor and one of the most significant foreign aid and loan providers for Cambodia's infrastructure, education, public health, social welfare, and public service sectors. By forging close ties with Japan, Cambodia can offset China's influence, retain its strategic autonomy, and exploit greater economic benefits from both of them at the same time. Since Japan announced its FOIP strategy in 2016, which emphasises the rule of law, free trade and freedom of navigation, and economic prosperity and connectivity, Cambodia has warmly embraced this development not only as the evolving nature of Tokyo's

20 Ibid.

21 Sharon Seah et al., *The State of Southeast Asia: 2021 Survey Report*, Singapore: ISEAS-Yusof Ishak Institute, 2021, <https://www.iseas.edu.sg/articles-commentaries/state-of-southeast-asia-survey/the-state-of-southeast-asia-2021-survey-report/>

engagement with Southeast Asia, but also as an opportunity to attract more economic benefits. For example, Japan's Partnership for Quality Infrastructure (PQI) has provided Cambodia with an alternative to China's Belt and Road Initiative to fulfil its infrastructure needs, with a 244 million US Dollar grant to upgrade the Sihanoukville port and an 800 million US Dollar sky-train project in Phnom Penh.²² In terms of multilateral platforms, the Japan-Mekong Cooperation (MJC) framework enables Cambodia and other riparian states to bolster subregional connectivity in the Mekong region. This has attracted greater attention from external powers due to its economic potential, natural resources, and strategic location.²³ By investing in the Mekong region, the MJC competes with and serves as an alternative to the Lancang-Mekong Cooperation led by China and advocates for resilient and sustainable water management and livelihood along the river.

THE LIMITATION OF JAPAN'S CAMBODIA POLICY

Even though Japan has been an integral part of Cambodia's hedging strategy, the country still poses four strategic limitations for Cambodian foreign policymakers. First and foremost, the Cambodian foreign policy community perceive Japan's security role in the region to be limited due to its

1947 pacifist constitution, which prohibits Tokyo from transforming its economic and technological prowess into an active, outward-looking military power. Moreover, Japan's non-permanent status at the UN Security Council (UNSC) leaves a significant vacuum for Cambodia to fill. As a small state, Cambodia looks for a reliable friend at the UNSC with a veto power to minimise the potential risk of unjust political or military interventions by foreign actors into its internal affairs.

Second, Cambodian foreign policymakers also believe that Japan lacks foreign policy independence from the US. A Cambodian leader spoke on the condition of anonymity that "Japanese leaders and diplomats always emphasise the need to consult with their allies and partners." In light of a growing misunderstanding between Cambodia and the US, there is concern in Phnom Penh that Washington might press Tokyo to promote American interests in Cambodia, even at the expense of Japan's strategic interest in the Kingdom. In addition, Dr Chheang Vannarith argued that Japan's membership in the Quad and its recent support for AUKUS would remind Cambodian leaders of Tokyo's deep devotion to the US-led alliance system, which has increasingly and overtly become an anti-China front.

Third, Japan's value-based foreign policy that couples aid with democratisation, good governance, and democracy, spearheaded by the US, does not resonate as much as China's non-interference approach. In that same vein, Cambodia perceives that Japan lacks an independent foreign policy from its closest ally in Washington. Although that of Japan may serve as a linchpin of America's engagement in Southeast Asia, its high strategic accommodation of US foreign and security policy makes Japan look like an outlier in its own geopolitical backyard of East and Southeast Asia.

22 Luo Jing Jing and Kheang Un, "Japan Passes China in the Sprint to Win Cambodian Hearts and Mind," *ISEAS Perspective* 2021/59, 30 April 2021, <https://www.iseas.edu.sg/articles-commentaries/iseas-perspective/2021-59-japan-passes-china-in-the-sprint-to-win-cambodian-hearts-and-minds-by-luo-jing-jing-and-kheang-un/>, accessed 26 November 2021.

23 Chanborey Cheunboran, "AVI Policy Brief: Japan in the Mekong's Dynamic Geopolitics," *Asian Vision Institute*, 5 August 2021, <https://www.asianvision.org/archives/publications/avi-policy-brief-issue-2021-no-09-japan-in-the-mekongs-dynamic-geopolitics>.



Japan's membership in the Quad and its recent support for AUKUS would remind Cambodian leaders of Tokyo's deep devotion to the US-led alliance system, which has increasingly and overtly become an anti-China front. Japan's value-based foreign policy that couples aid with democratisation, good governance, and democracy, spearheaded by the US, does not resonate as much as China's non-interference approach.



Fourth, from an economic and business perspective, some CPP leaders have expressed their frustration over the Japanese business community's lack of decisiveness in securing investment opportunities as well as the slow implementation of their investment projects in Cambodia. This lies in contrast to the practices of the Chinese business community in Cambodia, which have been quick to seize every available opportunity. A prominent Cambodian academic seems to concur with this frustration, arguing that Japan's "inherent inflexibility" due to its demand for a "high level of quality, transparency, accountability" and thus high costs, explain why the Chinese have successfully captured key projects studied by the Japanese.

CONCLUSION

In the face of rising structural uncertainties, a deficit of trust in multilateral institutions, and increasingly complex geopolitical dynamics in the Asia-Pacific, hedging and strategic diversification are among the most critical survival tools for small states like Cambodia. Although Phnom Penh has tried to advance Cambodia's foreign policy diversification, Cambodia's strategic options are limited. Besides China, Cambodia placed its bets on Japan by establishing the Cambodia-Japan Strategic Partnership in 2013 and supporting the latter's expanded role in the Asia-Pacific and beyond. However, Cambodia's strategic ties with China and Japan have different values due to strategic, political and geo-economic constraints in Japan's Cambodia policy.

Over the last two decades, Cambodia has also promoted its relationship with the European Union (EU) based on the principle of equal partnership. Here, the focus is on robust trade and investment, stronger people-to-people ties, and respect for democracy and human rights. However, Cambodia-EU relations have soured owed to the EU's withdrawal of its preferential trade treatment from the Kingdom, the Everything But Arms (EBA), as a response to the so-called "death of democracy" in Cambodia. Apparently, there is a growing belief, at least within Cambodian foreign policy community, that the EU's decision was immoral, unjust and even hypocritical.²⁴

Therefore, instead of imposing a binary choice upon Cambodia, Japan, along with the EU, should provide Cambodia with strategic alternatives so that the Kingdom continues its foreign policy diversification and expands its strategic manoeuvrability.

24 Chanborey Cheunboran, "AVI Commentary: Is the EU Losing Credibility through Its Double-Standard Trade Policy in Southeast Asia?," *The Asian Vision Institute*, 7 September 2020, <https://www.asianvision.org/archives/publications/avi-commentary-issue-2020-no-29-is-the-eu-losing-credibility-through-its-double-standard-trade-policy-in-southeast-asia>.



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Indonesia Case Study

Close Ties but Not Allies: Current Indonesia-Japan Relations

Patrick Ziegenhain



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JAPAN'S STRATEGIC INTERESTS IN INDONESIA

Japan's foreign policy towards Indonesia tries to combine the country's trade interests with the overall security situation in East and Southeast Asia. In terms of trade, Indonesia is an important long-term trading partner of Japan and vital supplier of natural resources. In addition, Indonesia represents a relevant sales market for the export-oriented country. In the last decades, Japan has established a so-called network economy through trade and Foreign Direct Investment (FDI) in Southeast Asia. From a geo-economic perspective, Japan is dependent on free trade through the Strait of Malacca. According to the US Department of Energy, 85 per cent to 90 per cent of Japan's oil imports, and 33 per cent of Japan's gas imports pass through this strait between Indonesia, Malaysia, and Singapore.¹

1 Reinhard Drifte, *Japan's Policy towards the South China Sea—Applying “Proactive Peace Diplomacy”?* Frankfurt: Peace Research Institute Frankfurt, 2016: 4.

Besides economic and trade interests, strategic security interests also connect Japan with Indonesia. Most important is the attempt to counterbalance China's ambitions in the South China Sea. The Free and Open Indo-Pacific Strategy (FOIP), as Japan's major foreign policy initiative, has led to more strategic cooperation between Japan and the Southeast Asian countries over recent years. Japan's interest is directed towards all ASEAN (Association of Southeast Asian Nations) member countries, but Indonesia, as the biggest ASEAN country, receives particular attention. In the last ten years, Japan has significantly deepened its relations with Southeast Asia's most populous nation.

Indonesia can offer Japan strategic opportunities. For instance, Indonesia invited Japan to invest in the Indonesian Natuna Islands, whose waters are within the Chinese Nine-Dash Line following China's assertive coast guard activities around the Natuna Islands in early 2021. As early as September 2017, Japan supplied radar equipment and patrol vessels for Indonesia

to use around the Natuna islands. In June 2018, Japanese financial assistance was used to upgrade Indonesian fishing ports and storage centers in the Natuna archipelago. During the visit of Japan's Foreign Minister Toshimitsu Motegi in Indonesia in January 2020, Indonesia lauded the support of Japan with developing the first integrated marine and fisheries center in the Natuna archipelago, and asked for further Japanese development cooperation in this disputed area.

Japan has no obvious domestic allies and adversaries within the Indonesian administration. The Indonesian business community is also split in this regard. Some are rather pro-China, others pro-US, while some are pro-Japan. President Joko Widodo is said to be rather in favour of Japan than China, whereas the mighty informal government leader Luhut Binsar Pandjaitan is reportedly rather supportive of China. The position of another important Indonesian domestic actor, the Armed Forces (TNI, *Tentara Nasional Indonesia*) is also difficult to assess.

There are no major disputes between Indonesia and Japan. However, it is worth noting that there was huge disappointment in Japan after the highspeed train project from Jakarta to Bandung was given to a Chinese consortium in September 2015. For decades, Japan was Indonesia's first choice for investments in infrastructure projects, such as roads, bridges, and power plants. China has now become a major competitor in this sector. Nevertheless, it is important to know that some other major Indonesian infrastructure projects (like the MRT construction in Jakarta) were still awarded to Japanese consortiums in recent years.

JAPAN'S INVOLVEMENT IN INDONESIA IN THE LAST TEN YEARS

In terms of military cooperation, a series of negotiations for weapons deals in recent years are a clear signal of a closer security cooperation between Japan and Indonesia than in the past. Japanese security engagement in Southeast Asia is increasingly focusing on arms exports after Prime Minister Shinzo Abe ended a decades-long ban on weapons and military hardware exports in 2014.

In March 2015, a memorandum was signed between both ministries of defence on "cooperation and exchanges in the field of defense". In addition, Prime Minister Abe and President Joko Widodo published a joint statement entitled "Towards further Strengthening of the Strategic Partnership Underpinned by Sea and Democracy". The word "democracy" was widely interpreted as being directed against undemocratic China and the word "Sea" was often referred to the disputed South China Sea. In December 2015, Japan established "two-plus-two" security talks with Indonesia, the first such forum with a member of ASEAN, and, at its final meeting, both sides agreed to start negotiations on an agreement to transfer defence equipment and technology.

In March 2021, Japanese Defence Minister Nobuo Kishi met with his Indonesian counterpart Prabowo Subianto. Both sides agreed to hold joint drills in the South China Sea and the Indonesian defence minister said the country is negotiating on the possibility of acquiring Japanese equipment to modernize national defence. On 30 March 2021, Indonesia and Japan signed their first-ever bilateral defence agreement, which paved the way for Japanese arms exports to Indonesia, including the potential sale of up to eight Mogami-class frigates.



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In its diplomacy, Indonesia rather emphasises cooperation/ inclusivity which fits to its traditional “free and active” foreign policy. (...) Indonesia’s “independent and active” policy is not a neutral policy, but rather one that does not align Indonesia with any superpower, nor does it bind the country to any military pact. (...) Consequently, the country – despite its close ties with Japan and the USA – does not openly adopt a position that could be interpreted as Anti-Chinese in the conflict on the South China Sea.



THE ROLE OF JAPAN IN INDONESIA’S CURRENT GEOSTRATEGIC PERSPECTIVES

Indonesia was the major force behind the Indo-Pacific concept of ASEAN.² In this concept, Indonesia defines itself as a maritime power. In geopolitical terms, Japan is seen as a military ally of the US and in so far positive, as it helps to reduce the threat from China. Hereby, Japan is aware that Indonesia does not want to come into the situation to choose between the US and China. Japan is also aware that Indonesia wants to continue its “free and active policy.”

In its diplomacy, Indonesia rather emphasizes cooperation/inclusivity which fits with its traditional “free and active” foreign policy. This foreign policy approach, which has remained unchanged since the country’s independence in 1945, means that Indonesia does not maintain a passive or reactive stance on international issues, but seeks to actively participate in their settlement. Therefore, Indonesia’s “independent and active” policy is not a neutral policy, but rather one that does not align Indonesia with any superpower, nor does it bind the country to any military pact.³

Following this foreign policy approach, Indonesia seeks acceptance on the international stage as an active intermediary or honest broker in the Indo-Pacific region. Consequently, the country – despite its close ties with Japan and the US – does not openly adopt a position that could be interpreted as Anti-Chinese in the conflict on the South China Sea.

2 Donald E. Weatherbee, “Indonesia, ASEAN, and the Indo-Pacific Cooperation Concept,” *ISEAS Perspective* 47, 7 June 2019.

3 Ministry of Foreign Affairs Republic of Indonesia, Indonesia’s Foreign Policy, https://kemlu.go.id/washington/en/pages/kebijakan_luar_negeri_ri/716/etc-menu, accessed 9 December 2021.

ECONOMIC IMPORTANCE OF JAPAN IN INDONESIA

Starting with close economic ties during President Suharto's New Order (1966 to 1998), Japan has long been Indonesia's largest foreign trading partner. Until 2013, Japan was also the most important export destination for Indonesian goods and services. In recent years, however, China has become Indonesia's most important trading partner. In terms of trade, Indonesia has a huge trade deficit with China, meaning it imports much more than it exports to China.

In sharp contrast, Indonesia has a positive trade balance with Japan. In 2019, the year before the global Covid-19 pandemic started, for example, Indonesia exported goods and services worth 16.8 billion US Dollars to Japan. The main products exported from Indonesia to Japan were Coal Briquettes (2.48 billion US Dollars), Petroleum Gas (2.07 billion US Dollars), and Insulated Wire (928 million US Dollars).⁴ Other sectors of Indonesian exports include food and textiles. Important in the agricultural sector are tropical fruits and palm oil. Fishery is also becoming more important. A few years ago, Indonesia organised direct transport flights from Manado (North Sulawesi) to Narita Airport (Tokyo) for fish products, which were also allowed during the covid-19 lockdowns in both countries. In 2019, Japan exported goods and services with a value of 13.9 billion US Dollars to Indonesia. The main products exported from Japan to Indonesia were Vehicle Parts (1.62 billion US Dollars), Cars (385 million US Dollars), and Hot-Rolled Iron (354 million US Dollars).⁵

4 Observatory of Economic Complexity (OEC), "Indonesia/Japan," <https://oec.world/en/profile/bilateral-country/idn/partner/jpn>, accessed 9 December 2021.

5 Ibid.

Together with the ASEAN-Japan Free Trade Agreement, the IJEPA (Indonesia Japan Economic Partnership Agreement) signed in 2008 is together forms the basis for trade between the two countries. The IJEPA was one of the first preferential trade agreements of Indonesia, and highlights the good and intensive trade relations between Japan and Indonesia.

According to Mr Ko Ozaki, Director of Japan External Trade Organization (JETRO) in Jakarta, there are more than 1000 Japanese companies in Indonesia. Most of these companies are in Java, and here a large proportion is located in the Western part of Jakarta near Bekasi. The automotive industry represents an important sector. Around 98 per cent of all cars in Indonesia are from Japan, but produced in the country under Japanese license.⁶ This production of Japanese cars in Indonesia is regulated in detail in the IJEPA.

The Regional Comprehensive Economic Partnership (RCEP) Agreement, recently signed by both Japan and Indonesia, will most probably have a positive impact on trade volume in the region. Some studies predict a boost of around 25 per cent.⁷ Mr Ko Ozaki stated, however, that RCEP is not yet relevant for Japan-Indonesian trade relations.⁸ The most important document for bilateral trade continues to be the above-mentioned IJEPA.

6 Online Interview with Pandu Utama Manggala, Second Secretary of Economic Affairs, Embassy of the Republic of Indonesia in Tokyo, Japan, 9 November 2021.

7 Online Interview with Ko Ozaki, Director of JETRO Jakarta, 17 November 2021.

8 Ibid.

Japanese companies enjoy a very high reputation in Indonesia. The companies are reliable and trusted partners. Indonesian business insiders reported that negotiations with Japanese companies are never easy, but after there is an agreement, there will be a smooth implementation.⁹

From a Japanese business perspective, the benefit of Indonesia is its large population, high consumption, and the bright future development perspectives. In the past, wages were also quite low, but since (relatively high) minimum wages have been introduced, this is no longer a competitive advantage of Indonesia.

China and South Korea are seen as Japan's main economic competitors in Indonesia. According to Mr Ozaki, both countries are more aggressive and much faster in decision-making. The Japanese business culture is based more on long-term relationships.¹⁰ The Indonesian government (and in particular the influential Mr Luhut Binsar Pandjaitan) wants large and fast investment without long negotiations. That is why the Indonesian side often prefer Chinese companies.

In terms of ODA, Japan has supported Indonesia for decades. However, the situation is now different since Indonesia is much more developed than previously. What is more, as a G-20 country, it is quite prominent on the international stage. Therefore, the relationship between the two countries is now much more balanced than in previous times. One new important point for the Indonesia-Japan relations is the sending of skilled workers from Indonesia to (ageing) Japan as guest workers, which

is managed by the Indonesian embassy in Tokyo. This cooperation already started during the pandemic, when around 1000 Indonesian nurses and caregivers were sent to Japan.

THE IMAGE OF JAPAN IN INDONESIA

Japan has a very positive image among Indonesians. Most citizens associate Japan as a modern, developed, and rich country with high-quality export goods. According to Mr Ozaki, Japanese products are seen as very safe, good quality, long-lasting and sustainable. This lies in contrast with many Chinese products, which are regarded by Indonesian consumers as less safe, low quality, more for short-term use, but often cheaper.¹¹

A 2019 survey among citizens in the ten ASEAN countries by JETRO, provides some empirical evidence. 83 per cent think of Japan as a country with strong economy and high technology, 61 per cent of a country with rich traditions and culture, 52 per cent of a country with a high standard of living, while only five per cent think that Japan is difficult to understand and only four per cent think that Japan is a militant/combative country.¹² Compared with the other ASEAN countries, the ratings of Indonesia are among the most positive. 67 per cent of the interviewed Indonesians think that relations between their country and Japan are very friendly. This is the third highest result among the ASEAN countries after the Philippines (70 per cent) and Vietnam (69 per cent).¹³

9 See note 6 above.

10 See note 7 above.

11 Ibid.

12 JETRO, "Survey on Japan in ASEAN," 2019, unpublished data provided to the author by JETRO Jakarta.

13 Ibid.

Unlike other East and Southeast Asian countries, Japanese war crimes in occupied countries during the Second World War is not a major topic related to Japan in Indonesia. Many leaders of the Indonesian independence movement, such as “Founding Father” Sukarno, collaborated with the Japanese, so that these Japanese atrocities were “swept under the carpet” until today. Our generation usually has very little knowledge about this time, which preceded Indonesia’s declaration of independence on 17 August 1945 only two days after the surrender of Imperial Japan in the Second World War.

Japan’s soft power in Indonesia is also relatively high. Japanese cultural products are popular among all parts of the population. The young population certainly finds South Korean music, fashion, and movies trendier, but in comparison to China, Japanese cultural goods have definitively a higher impact on ordinary Indonesians than those from the big East Asian competitor.

This is different with regard to foreign support for Indonesia during the Covid-19 pandemic. China provided a huge number of vaccines relatively early on, whereas brands from Europe or the US were not available for the Indonesian government. No wonder that SinoVac became the standard brand for the mass vaccination campaigns in Indonesia. Relatively late, in July 2020, Japan provided two million doses of the Astra-Zeneca vaccine to Indonesia. The general public were also scarcely aware of the fact that Japan gave the Indonesian government a loan of 50 billion yen (around 480 million US Dollars), in order to support its fight against the coronavirus.

DEVELOPMENTAL POTENTIAL AND PERSPECTIVES FOR INDONESIA-JAPAN RELATIONS

In general, Japanese-Indonesian relations are expected to develop well in the near future, without major changes and a strong focus on the economy. Japanese-Indonesian relations will change to some extent, since Indonesia is increasingly developing and the gap between the two countries becomes smaller. On the one hand, this a chance for the Japanese export industry to find new sale opportunities with the rapidly expanding Indonesian middle-class consumers. While, on the other, the attractiveness of Indonesia for Japanese manufacturing companies will decline as wages are (in regional comparison) relatively high and other Southeast Asian countries are catching up with Indonesia in terms of skills and productivity. As its second biggest trading partner, Japan is perceived in Indonesia to be serious economic counterweight to China.

Indonesia-Japan relations will most likely become closer in terms of security cooperation. As one political observer put it, the more aggressive China becomes in the South China Sea (particularly with regard to the Natuna archipelago), the more Indonesia will move in the direction of Japan (and the US). Officially, Indonesia will attempt to uphold its above-mentioned traditional foreign policy role as honest broker as long as possible according to its “independent and active” foreign policy doctrine. But it can be assumed that if tensions increase and particularly if Indonesia’s territorial integrity is threatened, Indonesia will move closer to the Japan-US camp.

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In Indonesia, it is more the US as opposed to Japan that is perceived as a security counterweight to an increasingly aggressive China in the Indo-Pacific region. In this context, the Indonesian government has voiced concerns about AUKUS, the trilateral security pact for the Indo-Pacific region between Australia, the United Kingdom and the United States, announced on 15 September 2021. Together with her Malaysian counterpart, Indonesia's foreign Minister Retno Marsudi stated that Indonesia does not “want the current dynamics to cause tension in the arms race and also in power projection.” This means that Indonesia's foreign policy tries to reduce the potential for escalation caused by either of the conflicting parties, and promotes dialogue and confidence-building measures among the various actors in the South China Sea conflict. This is the only way to adhere to its “free and active” foreign policy doctrine, not fall under the direct influence of one of the super powers and maintain its role as honest broker as long as possible. A further escalation of the conflict in the South China Sea would, however, subject Indonesia's foreign policy concept to a tough reality check, and probably reveal the concept's limitations.



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Phillipine Case Study

Japan as a Fulcrum in Regional Dynamics: A Philippine Perspective

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INTRODUCTION

President Rodrigo Duterte came into office in 2016 under a strongman platform of combatting criminality and pursuing an independent foreign policy. While the latter is enshrined in the 1987 Constitution to protect and uphold national sovereignty, territorial integrity, national interest, as well as the right to self-determination, it was not until Duterte came to power that the pursuit thereof became the administration's rallying cry. Unfortunately, in practice, this translated to being independent *from* the United States and pivoting *towards* non-traditional partners like China and Russia. It can be argued that this choice is based on personalities, individual gains, and the lack of strategy anchored in the national interest.

As one of the region's longstanding allies of the United States, the Philippines, by definition and in accordance with the provisions of the

1951 Mutual Defense Treaty (MDT), should not have had to hedge between two competing great powers. However, the asymmetry that characterised the US-Philippine alliance – evidenced by the Philippines' resistance to renewing the American bases in Clark and Subic in the early 1990s – forms the backdrop of pursuing an independent foreign policy. Instead of pivoting from one great power to another, this should entail a diversification of the country's international relations, beginning with leveraging international actors' turn to the Indo-Pacific and enhancing its strategic partnerships. A good example of this is the Philippines' bilateral relationship with Japan. Both countries are allies of the United States, and their strengthened partnership is an effective way of connecting the spokes under the so-called San Francisco system. Improved relations with Japan can also serve as a counterweight to China's assertive activities in the region.

This case study examines the role of Japan as a fulcrum in regional dynamics to identify alternative platforms and frameworks that may confront and circumvent the US-China rivalry. From the Philippines' perspective, Japan has historically been able to establish a critical partnership with the Philippines. The following discussion establishes the political and economic parameters of the bilateral relationship, and posits that while the economic interests of Japan and the Philippines converge, developments in the geopolitical environment require leveraging cooperation in the technological sphere; an action that may gain further traction when bolstered by Japan's continued exercise of its soft power. Arguably, Japan-Philippine relations could advance and remain stable even without technological cooperation and Japan's exercise of soft power. Yet, these can certainly facilitate cooperation in other areas, particularly in terms of consolidating ties between people that are fundamental for the longevity and sustainability of any bilateral relationship.

THE GEOPOLITICAL ENVIRONMENT

Diplomatic relations between the Philippines and Japan were established in 1956. The relationship focused heavily on economics, especially trade, investment, and development cooperation from the very beginning. Security cooperation was not originally a priority due to Japan's constitutional restrictions on one hand, and the Philippines' role in the US-led hub-and-spokes model, on the other.¹ The bilateral relationship has deepened and broadened over the years. With the implementation of the Japan-Philippines Economic Partnership

Agreement (JPEPA) in 2004, the two countries began talks to nurture a strategic partnership.² Negotiations succeeded in 2013 when the relationship was officially upgraded to a strategic partnership, and in 2015 when both sides renewed their commitment to each other.³ It became apparent that the two countries had converging interests beyond the economic realm. Not only do they share basic values like freedom, democracy, human rights, and the rule of law, but their strategic interests also align as regards protecting the sea lines of communication.⁴

Another area where their interests converge is on the regional and multilateral level. Japan is one of the Association of Southeast Asian Nations' (ASEAN) dialogue partners and is part of various forums like the ASEAN Plus Three (APT), East Asia Summit (EAS), and the ASEAN Regional Forum (ARF). Japan recognises ASEAN's view that security is multidimensional and multilevel. This is why it has built a cooperative partnership for peace, stability, development, and prosperity, and why it remains committed

1 Dennis D. Trinidad, "Domestic factors and strategic partnership: redefining Philippines-Japan relations in the 21st century," *Asian Politics and Policy* 9/4 (2017): 613-635.

2 Ministry of Foreign Affairs of Japan, "Japan-Philippines joint statement: fostering a strategic partnership for the future between close neighbors," 18 June 2009. <https://www.mofa.go.jp/region/asia-paci/philippine/joint0906.html>.

3 Ministry of Foreign Affairs of Japan, "Japan-Philippines summit meeting," 27 July 2013, https://www.mofa.go.jp/region/page6e_000121.html; Department of Foreign Affairs, "Japan-Philippines joint declaration: a strengthened strategic partnership for advancing the shared principles and goals of peace, security, and growth in the region and beyond," 4 June 2015, <https://dfa.gov.ph/dfa-news/dfa-releasesupdate/6444-japan-philippines-joint-declaration-a-strengthened-strategic-partnership-for-advancing-the-shared-principles-and-goals-of-peace-security-and-growth-in-the-region-and-beyond>.

4 Julio S. Amador III, "The Philippines' search for strategic partners," *The Diplomat*, 23 July 2013, <https://thediplomat.com/2013/07/the-philippines-search-for-strategic-partners/>.

to enhancing close relations with the region as economic partners. As such, Japan fully supports ASEAN's efforts towards increasing connectivity.⁵

Hence, in terms of bilateral and multilateral relations, Japan and the Philippines are embedded in wide but interconnected networks. Traditionally, the engagements focused solely on development cooperation. Over the years, Japanese official development assistance (ODA) underwent four major waves: 1956 to 1976 in the form of reparations payments, 1977 to 1991 as a result of Japan's ODA expansion and doubling policy following the Fukuda Doctrine, 1992 to 2010 characterised by diversification and the reform of aid institutions, and finally from 2011 to the present day as a result of deepening defence and security cooperation between the two countries and their mutual concern over China's increasing aggressiveness in the East and South China Seas.⁶ The fourth wave is when Japan clearly moved beyond economics and assumed a more proactive role in regional security affairs.⁷ Some notable military exercises in which Japan participated are Kamandag, Sama-Sama, Balikatan, as well as anti-piracy drills and the Maritime Law Enforcement (MARLEN) exercises involving members of the Philippine Coast Guard (PCG) and the Japan Coast Guard (JCG).

Clearly, the shift towards intensified security cooperation indicates common strategic interests converging in the China factor. Despite this, there remains some resistance to using the Quadrilateral Dialogue (Quad) involving the US, Japan, Australia, and India. This is precisely because it is seen as an overt instrument to counter and contain China. It is a tricky situation for states in the region because of their economic ties with China. In a 2019 survey, Filipino security experts affirmed that the Quad could play a positive role in managing tensions in the South China Sea, but at the same time, it could provoke further animosity from China.⁸ Hence, it is clear to see why Filipinos view the Quad with a certain degree of ambivalence. Interestingly, Japan is cited as the most trusted external power in Southeast Asia.⁹ Members of the Philippine strategic community also support this view: Japan is the preferred partner, with the US and Australia following close behind.¹⁰ The recent arrangement of Australia, the United Kingdom, and the US (AUKUS) is another indication that strategic interests converge when confronting the China factor. Considering China's continuing occupation of some features in the West Philippine Sea, the Philippines has openly supported

5 Ministry of Foreign Affairs of Japan, "Japan-ASEAN cooperation," 27 October 2021, <https://www.mofa.go.jp/region/asia-paci/asean/relation/index.html>.

6 Dennis D. Trinidad, "Japan's official development assistance (ODA) to the Philippines," *Japan International Cooperation Agency*, May 2021, https://www.jica.go.jp/jica-ri/publication/other/l75nbg0000196hde-att/background_paper_No12.pdf; Trinidad (2017).

7 Maria Thamar Tana and Yusuke Takagi, "Japan's foreign relations with the Philippines: a case of evolving Japan in Asia," in James D. Brown and Jeff Kingston (eds.), *Japan's foreign relations in Asia*, New York: Routledge, 2017, 312-328.

8 Aries Arugay, Charmaine Misalucha-Willoughby, Julio Amador III, "Quad to zero: Filipino perceptions of the Quad, the Indo-Pacific, and the alliance system." *APPFI Research Paper* RSA-2019-04. Asia Pacific Pathways to Progress, 2019.

9 William Choong, "The Quad and the Indo-Pacific: going slow to go further," *ISEAS Perspective*, 23 September 2021, https://www.iseas.edu.sg/wp-content/uploads/2021/09/ISEAS_Perspective_2021_125.pdf.

10 Julio S. Amador III et al., "National security priorities and agenda in the Philippines: perceptions from the Filipino strategic community," *Amador Research Services*, 2020, <https://www.amadorresearchservices.com/publications/national-security-priorities-and-agenda-in-the-philippines>.

AUKUS.¹¹ Some Southeast Asian states also favour the military pact and, in this context, Japan can leverage itself as a trustworthy partner by acting as a bridge between the members of AUKUS and the rest of the regional powers.¹²



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Despite this convergence, there could still be a divergence of strategic interests triggered by domestic factors. Japan faces hard choices with new Prime Minister Fumio Kishida who previously advocated for diplomacy and arms control, but, who, upon announcing his candidacy for the presidency of the Liberal Democratic Party, embraced a more hawkish course for Japan's military.¹³ The extent of this more "muscular" Japan remains to be seen as the general population becomes more concerned over China's growing military presence in the region. The Philippines faces national elections in May 2022, and the course of Philippine foreign policy will ultimately depend on the new president's China policy. While a more "muscular" Japan may indeed serve the Philippines' strategic interests, both countries should ensure policy alignment and complementarity. Doing so could enable them to anticipate and prepare for China's counter-response.

ECONOMIC TIES

In 2020, China constituted one of the major economic players worldwide. It is the United States' largest trading partner, the third-largest export market, and the largest source of American imports.¹⁴ This notwithstanding, there are growing areas of concern, including the extent to which the Chinese government controls information and communications systems, and the blurred lines between the government and business operations. As the US-China economic competition is anticipated to intensify, it is worth exploring ways to decouple from this spiral.

11 Department of Foreign Affairs, Philippines, "Statement of Foreign Affairs Teodoro L. Locsin, Jr. on the Australia-United Kingdom-United States (AUKUS) enhanced trilateral security partnership," 19 September 2021, <https://dfa.gov.ph/dfa-news/statements-and-advisories/update/29484-statement-of-foreign-affairs-teodoro-l-locsin-jr-on-the-australia-united-kingdom-united-states-aukus-enhanced-trilateral-security-partnership>.

12 Rafyoga Jehan Pratama Irsadanar, "Can Japan be a bridge between AUKUS and ASEAN?" *The Diplomat*, 26 October 2021, <https://thediplomat.com/2021/10/can-japan-be-a-bridge-between-aukus-and-asean/>.

13 Sheila A. Smith, "Japan's hard choices," *Foreign Affairs*, 28 October 2021, <https://www.foreignaffairs.com/articles/japan/2021-10-28/japans-hard-choices>.

14 United States, "US-China trade relations," In *Focus: Congressional Research Service*, 16 February 2021, <https://sgp.fas.org/crs/row/IF11284.pdf>.



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Since the post-Second World War era, Philippine-Japan relations have revolved around investment, development cooperation, and trade. The Philippines has generally been receptive to Japanese economic overtures because foreign aid and investments lead to supporting political regimes and legitimising authority. One of the most important expressions of strong economic ties between the two countries is the JPEPA, which entered into force in 2008. The JPEPA encompasses, among others, trade in goods, services, investments, movement of natural persons, intellectual property, government procurement, competition, and improvements in business environments. With this agreement, the Philippines' Department of Trade and Industry reported that the balance of trade gradually improved in favour of the Philippines.¹⁵ Based on an eight-year average before and after the entry into force of the JPEPA, trade balance improved by 32.2 billion US Dollars from 7.51 billion US Dollars in the pre-JPEPA (2001 to 2008) period to 27.64 billion US Dollars post-JPEPA (2009 to 2016). Total trade also improved by 19 per cent from 115.99 billion US Dollars to 137.96 billion US Dollars, thereby resulting in Japan becoming the Philippines' largest export market.

Prior to the JPEPA, the Philippines has consistently experienced deficits in its bilateral trade with Japan. After the entry into force of the agreement, the country registered positive trade balances, the most notable being a trade surplus of 8.65 billion US Billion in 2014. However, the country has incurred consecutive deficits in 2017 and

2018.¹⁶ In 2020, Japan was the Philippines' second major trading partner, the top-ranking export market, and the second ranking import supplier.¹⁷ Japan continues to be one of the largest sources of foreign direct investment for the Philippines and was the third largest in 2018, the fifth in 2019, and the first in 2020 in terms of net inflows.¹⁸ The Japan External Trade Organization (JETRO) reports that in 2017, Japan had around 1,502 companies in the Philippines employing 320,000 Filipinos.¹⁹ Meanwhile, the Japan International Cooperation Agency (JICA) reports that Japan has provided the Philippines a total of 39.4 billion US Dollars between 1960 and 2018 in official development assistance with most loans going to the transportation sector.²⁰

Talks are also being held regarding the Regional Comprehensive Economic Partnership (RCEP), which is expected to take effect in 2022. The RCEP is a multilateral free trade agreement where the signatories – among them are Japan and the Philippines – agree to reduce and

15 Department of Trade and Industry, Philippines, "Philippines-Japan economic partnership agreement (PJPEPA)," 2019, <https://www.dti.gov.ph/philippines-japan-economic-partnership-agreement-pjepa/>.

16 Department of Trade and Industry, Philippines, "Fact file 2019," 2019, <http://innovate.dti.gov.ph/about/btipr-services/fact-file/fact-file-2019/>.

17 Department of Trade and Industry, Philippines, "Trade and investment relations," 2021, <http://innovate.dti.gov.ph/about/btipr-services/tir/japan-tir/>.

18 Department of Trade and Industry, Philippines, "Fact file 2020," 2020, <http://innovate.dti.gov.ph/about/btipr-services/fact-file/fact-file-2020/>.

19 Embassy of the Philippines in Tokyo, "Philippines-Japan collaboration for a sustainable partnership," 4 December 2020, <https://tokyo.philembassy.net/02events/philippines-japan-collaboration-for-a-sustainable-partnership/>.

20 Japan International Cooperation Agency, "Philippines," 2021, <https://www.jica.go.jp/philippine/english/index.html>; Japan International Cooperation Agency, "Co-creating a better future for all: annual report 2020," 2020, https://www.jica.go.jp/philippine/english/office/others/c8h0vm0000d3hsdw-att/report_2020.pdf.

eventually eliminate tariffs on agricultural and industrial products, and set new rules on trade, service, and investment. Japan calculates that its entry into RCEP will result in an increase of 2.7 per cent in its real gross domestic product and the generation of an additional 570,000 jobs.²¹ These can definitively boost the Japanese economy after the COVID-19 pandemic. Notably, RCEP is Japan's first free trade deal with China, its largest trading partner. Similarly, the Philippines is hopeful about the benefits to be gained from RCEP. It can improve the country's trade balance by as much as 51.7 million US Dollars, increasing overall welfare by 573.7 million US Dollars, contributing to a 0.84 per cent real GDP growth, and lowering poverty incidence by 4.97 per cent in 2030.²² President Duterte ratified the RCEP Agreement in September 2021, and it is now awaiting Senate approval.

Indeed, the economic foundations of the bilateral relationship between Japan and the Philippines are both deep and enduring. These also facilitate an extension of the partnership to areas beyond economics as a result of geopolitical developments. Despite the Philippines' close ties with the United States, that bilateral relationship has been largely shaped by the military alliance. As the Philippines' military modernisation still needs to be fully achieved, the alliance has always been seen as biased towards the US. Such asymmetry fuelled nationalist sentiments that culminated in the closure of American military bases in the early

1990s. In contrast, the focus of Philippine-Japan relations on economic assistance and development cooperation has resonated with Filipinos. Against this backdrop, the following sections highlight the critical role of technology to facilitate deeper bilateral relations and to enable cooperation in more areas. Furthermore, Japan's continued exercise of soft power could ensure the further convergence of strategic interests between the two countries. If Japan can achieve this, then it can truly serve as a counterbalance and an alternative to the two great powers.



Japan's continued exercise of soft power could ensure the further convergence of strategic interests between the two countries. If Japan can achieve this, then it can truly serve as a counterbalance and an alternative to the two great powers.



21 Daisuke Akimoto, "The RCEP conundrum: Japan awaits India's return," *The Diplomat*, 27 August 2021, <https://thediplomat.com/2021/08/the-rcep-conundrum-japan-awaits-indias-return/>.

22 Department of Trade and Industry, Philippines, "PH to benefit from RCEP Agreement through 4Cs: cheaper cost, convenience, competitiveness, and complementation," 2 November 2021, <https://www.dti.gov.ph/news/ph-rcep-4cs/>.

TECHNOLOGY AS THE WAVE OF THE FUTURE

One way to ensure that strong bilateral ties between Japan and the Philippines are maintained is via knowledge and technology sharing. During the industrialisation process in the Philippines in the late 1980s to the early 1990s, the main imported goods from Japan included capital equipment, raw materials, and access to the manufacture of products, such as power generating machinery, electrical machinery, transport equipment, textile fiber, yarns, chemical elements and compounds, plastics, and iron and steel. Foreign investments at that time also relied heavily on the manufacturing sector. The Philippines benefitted from these investments and technical expertise.

Many technology transfers took place within the framework of the JICA's ODA projects. The agency's three main priorities in the Philippines are sustainable economic growth, poverty reduction, and peace in Mindanao. Most of its programmes in implementing these priorities lie in technical cooperation. JICA's role of helping develop human resources and build the country's administrative systems takes place through the dispatch of experts to provide technology and make recommendations to key economic and social development administrators and technicians in the recipient country. Training is also conducted, which involves the transfer of specialised Japanese knowledge and technology provided for administrators, technicians, and researchers.²³ Japan's 2017 ODA White Paper reiterated the importance of development cooperation with diverse actors to maximise the benefits of the assistance. Here, the role of public-private partnerships

23 Japan International Cooperation Agency, "JICA priorities in the Philippines," 2021, https://www.jica.go.jp/philippine/english/office/topics/pdf/publications_15.pdf.

(PPP) is critical for yielding a wide range of benefits. Some of the notable programmes under the PPP include preparatory surveys for infrastructure projects, collaboration programmes, and partnerships with small- and medium-sized enterprises (SME). In partnership with the Philippine Business for Social Progress (PBSP), JICA conducted an SME pitch in 2018 where ten Japanese companies offered to help the Philippines in addressing various development challenges using new technology and ideas.²⁴

Technology sharing and transfers play a key role in Japan's humanitarian assistance and disaster relief programmes. Since typhoons frequently hit the Philippines, the government sought the assistance of JICA in modernising its weather forecasting and warning system. In 1978, JICA helped install flood forecasting and warning systems in the country's major river systems (Ago, Bicol, and Cagayan) and major dams (Ambuklao, Binga, Magat, Pantabangan, and Angat), including the establishment of river centres. The system helped improve the capacity of the Philippine Atmospheric, Geophysical and Astronomical Services Administration (PAGASA) in forecasting and warning systems for accurate and timely dissemination of information to the public. From 2009 to 2012, JICA helped modernise PAGASA's meteorological telecommunication system featuring three radars in Aparri in Cagayan province, Virac in Catanduanes province, and Guiuan in Southern Leyte for weather data collection observation and accurate weather forecasting.²⁵

24 The ten companies involved in the 2018 SME pitch event have ongoing projects across the Philippines, as indicated in the JICA Philippines annual reports 2015-2020.

25 Japan International Cooperation Agency, "Fortifying the future through trusted partnerships: JICA Philippines annual report 2019." 2019, https://www.jica.go.jp/philippine/english/office/others/c8h0vm0000d3hsdw-att/report_2019.pdf.



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In June 2021, Japan and the Philippines signed an agreement to promote space cooperation in a number of areas, including space applications, satellite development, and the promotion of space industry. The Japan Aerospace Exploration Agency (JAXA) is the first foreign space agency to sign a memorandum of cooperation with the Philippine Space Agency (PHILSA).²⁶

Finally, in terms of technology transfer in defence capabilities, this was due to the elevation of bilateral relations to a strategic partnership. The memorandum of understanding on defence cooperation and exchange in 2015, as well as a defence agreement in 2016, facilitated the transfer of defence equipment and technology from Japan to the Philippines and afforded an opportunity to conduct joint research and development and joint production of defence equipment and technology. JICA provided support primarily to the Philippine Coast Guard in establishing and maintaining maritime communication systems, which covers the construction of public coast stations and port stations; including equipment and training for operation and maintenance.²⁷ The most recent cooperation between JICA and the PCG is the project for the enhancement of coastal communications systems in 2014 to 2018. Under this project, a vessel traffic management system, estimated around 13 million US Dollars (JPY1.5 billion), was

launched in Cebu and incorporated a control centre and the construction of several radar systems.²⁸

Defence capabilities also involved a deal to export air surveillance radars to the Philippines in 2020. This is the first defence equipment and technology cooperation project between the two countries in realisation of the 2016 agreement on the transfer of defence equipment and technology. The Philippine Air Force's (PAF) acquisition of the Horizon 2 Air Surveillance Radar System (ASRS) includes three fixed long-range air surveillance radars, each with building facilities and one mobile air surveillance radar. The contract for the project is estimated at 103.5 million US Dollars and was awarded to Mitsubishi Electric Corporation (MELCO).²⁹

In sum, leveraging technology transfer is one way to navigate geopolitical and geoeconomics developments. Arguably, knowledge and technology sharing has been the core of Japan's bilateral engagements with the Philippines. However, recent events – not least China's continuing offensive operations – compel regional powers to boost their cooperation platforms. Technology transfer not only continues what Japan and the Philippines have already established, but also ensures the sustainability of their programmes in achieving common strategic goals.

26 Sharia Panela, "Philippines, Japan sign space cooperation agreement," *Rappler*, 15 June 2021, <https://www.rappler.com/science/earth-space/philippines-japan-sign-space-cooperation-agreement-june-2021>.

27 Japan International Cooperation Agency, "Maritime communication project, phase I," November 2002, https://www.jica.go.jp/english/our_work/evaluation/oda_loan/post/2002/pdf/085_full.pdf.

28 Japan International Cooperation Agency, "1.5 B yen vessel traffic management system launched in Cebu to boost maritime safety," 19 February 2018, <https://www.jica.go.jp/philippine/english/office/topics/news/180219.html>.

29 Priam Nepomuceno, "Japanese radar system to strengthen WPS monitoring: AFP," *Philippine News Agency*, 13 October 2020, <https://www.pna.gov.ph/articles/1118361>.

THE POWER OF SOFT POWER

The power of soft power may be contested, but it certainly plays an important factor in international relations. American soft power has been widely deployed and effective since the end of the Second World War, having enabled a cementing of the liberal rules-based international order on which the international community continues to rely today. China attempts to exercise its soft power, but has not gained enough traction so far.³⁰ In contrast, Japanese soft power has been growing steadily and can be expected to facilitate a more critical role for Japan in a range of arrangements and platforms amidst intensifying US-China competition.

Generally, Filipinos' have a very positive perception of Japan.³¹ Japan's pop culture boom that started in the late 1970s was gradually exported throughout Asia and around the world. By toning down and underplaying some of its particular cultures and traditions, Japan made it easier for countries previously affected by Imperial Japan to be more accepting of Japanese pop culture. Softening its image to become more *kawaii* (cute), marketing characters like Hello Kitty, Doraemon, and Domo, not to mention the clever use of pastel colours, attracted young consumers and changed perceptions of Japan's national and international identity. The increased use of technology and new media facilitated the creation and proliferation of "fandoms,"

which then allowed popular culture products to spread more efficiently.³² The Japanese government's Cool Japan initiative consolidated this public diplomacy method and exercise of soft power that led to the country's positive image.³³ Music (JPOP), manga, anime, cosplay, Japanese cuisine, and the trend on minimalism are all a function of Japan's successful exercise of soft power.

Besides cultural attractiveness, other aspects of Japan's soft power include tourism and education. From 2018 to 2020, the number of Filipinos going to Japan as tourists consistently increased.³⁴ While travel has been severely affected by the COVID-19 pandemic, the trend is expected to return to pre-pandemic numbers soon. According to the Philippine Travel Agencies Association (PTAA), Japan ranks first as the preferred tourist destination of Filipinos in 2019 because of its four seasons, the people, culture, food, shopping, and the environment.³⁵ There have also been growing numbers of Japanese tourists over the years, ranging around 600,000 in 2018 and 2019, but exhibited a severe drop to around 130,000 in 2020 because

30 Ketian Zhang, "Cautions bully: reputation, resolve, and Beijing's use of coercion in the South China Sea," *International Security* 44/1 (Summer 2019): 117-159.

31 Ministry of Foreign Affairs of Japan, "Opinion poll on Japan in ASEAN countries," 20 March 2019, https://www.mofa.go.jp/p_pd/pds/page23e_000555.html.

32 Nissim Kadosh Otmazgin, *Regionalizing culture: the political economy of Japanese popular culture in Asia*, Hawaii: University of Hawaii Press, 2014.

33 Eric Margoles, "Cool Japan campaign at a crossroads 10 years after setting sights abroad," *The Japan Times*, 31 May 2021, <https://www.japantimes.co.jp/culture/2021/05/31/general/cool-japan-success/>.

34 Japan National Tourism Organization, "Tourism statistics," 11 November 2021, <https://statistics.jnto.go.jp/en/graph/#graph--breakdown--by--country>.

35 Ma Stella Arnoldo, "Japan, South Korea top leisure destinations of Filipinos," *Business Mirror*, 23 June 2020, <https://businessmirror.com.ph/2020/06/23/japan-south-korea-top-leisure-destinations-of-filipinos/>.

of the pandemic.³⁶ In the education sector, Japan has consistently offered scholarship grants to Filipinos for more than 60 years. According to the Japanese Embassy in Manila, an average of 100 Filipino scholars are sent to Japan on an annual basis under six scholarship programmes: teacher training, Japanese Studies, undergraduate student, research student, specialised training, and college of technology.

Japan's COVID-19 assistance has also played an important role in its soft power in Southeast Asia. Its efforts in providing medical equipment and aid demonstrated its long-term commitment to support other countries and strengthened its image as a humanitarian aid donor.³⁷ Its vaccine diplomacy is a response to China's shortcomings in the first half of 2021.³⁸ Overall, vaccine deliveries have strengthened Japan's image as a dependable partner for Southeast Asian countries, leading to more comprehensive security cooperation.

CONCLUSION

The preceding sections emphasised Japan's critical role in the Indo-Pacific. From the perspective of the Philippines, Japan ranks at medium importance on the geopolitical level, alongside the European Union (EU) and India. Here, the United States and Australia occupy the highest place, largely due to the Philippines' alliance with the US and its longstanding counter-terrorism efforts with Australia. Interestingly, these rankings are reversed in the spheres of economics, technology, and soft power. Here, Japan is the Philippines' top choice, while the US, Australia, the EU, and India are of medium importance.

Indeed, Japan has truly more than proved its worth and built strong economic foundations insofar as its bilateral relationship with the Philippines is concerned. To sustain this and ensure the partnership's ability to navigate recent developments in the strategic

36 Department of Tourism, Philippines, "Visitor arrivals to the Philippines by country of residence," 2018: http://tourism.gov.ph/Tourism_demand/Arrivals2018.pdf; 2019: http://tourism.gov.ph/Tourism_demand/Arrivals2019.pdf; 2020: http://tourism.gov.ph/Tourism_demand/Arrivals2020.pdf.

37 Junko Horiuchi, "Japan accelerates medical aid diplomacy amid China's rising clout," *The Japan Times*, 28 August 2020, <https://www.japantimes.co.jp/news/2020/08/28/national/medical-aid-diplomacy-china/>.

38 Coleman Beaty, "Japan and vaccine diplomacy," *Center for Strategic and International Studies*, 9 August 2021. <https://www.csis.org/blogs/new-perspectives-asia/japan-and-vaccine-diplomacy>.

and economic spheres, not to mention returning to “normal” in a post-COVID-19 era, Japan and the Philippines need to deepen and intensify their cooperation in technology sharing and transfer. This can be further boosted by Japan’s exercise of soft power. The difference that soft power makes is that it secures Japan’s role as a reliable partner and a critical player within changing geopolitical environment. Equally important, the inextricable link between technology and soft power can ease inter-regional cooperation, something that the EU has already initiated in its turn towards the Indo-Pacific. Today, such a move resonates well because of China’s assertive moves, but Japan can help consolidate European engagement and sustain regional states’ cooperation by leveraging stronger and deeper ties between people. Such ties can only be harnessed through the intangible force of soft power made tangible by technology.



The inextricable link between technology and soft power can ease inter-regional cooperation, something that the European Union has already initiated in its turn towards the Indo-Pacific. (...) Japan can help consolidate European engagement and sustain regional states’ cooperation.





Vietnam Case Study

The Vietnam-Japan Strategic Partnership in the Context of China's Rise

Nguyen Khac Giang



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JAPAN'S DEEPENING INTEREST IN VIETNAM

Japan was among the first liberal democracies to establish diplomatic relations with Vietnam in 1973, and then became the first G7 nation to be its “strategic partner” in 2009.¹ Despite the close relationship, from the end of the Cold War until the aftermath of the 2008 Global Financial Crisis, bilateral relations were mainly confined to economic and development matters.² Nevertheless, since Shinzo Abe returned to the premiership in 2012 with his renewed diplomacy activism, Hanoi became the linchpin of Japan’s own “pivot” to Southeast Asia.³ It is no coincidence that Vietnam was the first foreign destination of both Prime ministers Shinzo Abe and Yoshihide Suga, while the Vietnamese PM Pham Minh Chinh was the first foreign leader to visit

Japan under the Kishida administration in November 2021.⁴ Former PM Abe’s visited Vietnam three times during his four tenures; the most among Japanese leaders.

Japan has multi-faceted strategic interests in Vietnam. Economically, Vietnam is attractive to both Japanese investors as the key to its China plus One strategy,⁵ and to Japanese products with a booming consumer market of 100 million people. Internationally, Vietnam can be considered Japan’s gateway to ASEAN and Southeast Asia. Despite a brief Japanese occupation during the Second World War, Hanoi is arguably Japan’s most trusted friend in the region. In Southeast Asia, only Vietnam and Singapore openly supported Japan’s bid to become a permanent member of the United Nations Security Council in 2005.⁶ Vietnam is also a member of various multilateral platforms in which Japan plays a leading role, such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), Asia-Pacific Economic Cooperation (APEC),

1 Nhan Dan (The People's Daily), “Thúc đẩy quan hệ đối tác chiến lược sâu rộng Việt Nam - Nhật Bản phát triển toàn diện,” (Fostering the deepening strategic partnership of Vietnam and Japan towards a comprehensive development) 19 October 2020, <https://nhandan.vn/xa-luan/thuc-day-quan-he-doi-tac-chien-luoc-sau-rong-viet-nam-nhat-ban-phat-trien-toan-dien-620952/>.

2 Dinh Thi Hien Luong, “Vietnam–Japan Relations in the Context of Building an East Asian Community,” *Asia-Pacific Review*, 16/1 (2009): 100-130.

3 Céline Pajon, “Japan’s “Smart” Strategic Engagement in Southeast Asia,” *The Asan Forum*, 6 December 2013, <https://theasanforum.org/japans-smart-strategic-engagement-in-southeast-asia/>.

4 NHK World, “Vietnam's PM in Japan for talks with Kishida,” 22 November 2021. https://www3.nhk.or.jp/nhkworld/en/news/20211123_04/

5 Dharish David and Simran Walia, “What a China+1 Policy Might Look Like for Japan?” *Global Policy*, 30 September 2020, <https://www.globalpolicyjournal.com/blog/30/09/2020/what-china1-policy-might-look-japan>.

6 Hidetaka Yoshimatsu, “The Mekong region, regional integration, and political rivalry among ASEAN, China and Japan,” *Asian Perspective* 34/3 (2010): 101.

and Regional Comprehensive Economic Partnership (RCEP). Geopolitically, as both Tokyo and Hanoi have joint concerns about Beijing's increasing influence in the region, Vietnam is important for Japan's soft balancing strategy.⁷ To some extent, Hanoi's resistance in the South China Sea distracts China's behaviour on the East China Sea, where it also has disputes with Japan.

JAPAN AS VIETNAM'S INDISPENSABLE STRATEGIC PARTNER

Elite support in Vietnam can be separated into the general public intellectuals and the regime elites. In the former, Vietnamese elites overwhelmingly view Japan favourably. In the *State of South East Asia: 2021 Survey Report* by the Singapore-based ISEAS-Yusof Ishak Institute, Japan was highly regarded among Vietnamese elite respondents as the major provider of Covid-relief support to the region (second after the US) and champion of free trade (third after the US and the EU). Japan ranked first among the "alternative options" to hedge against uncertainties of the US-China rivalry (the EU ranked second) and the most preferred strategic partner alternative to the US (at the approval rate of 67 per cent, highest among Southeast Asian countries, while China's approval rate was at just 4.8 per cent).⁸ This demonstrates an extremely high level of elite trust for Japan.

In a smaller sample of Vietnamese elites who work for think tanks, government agencies, and research institutes, which was conducted for this policy paper, all rank Japan as the second-most important strategic player in Vietnam, only behind the United States. Average ratings of Japan in geopolitics, geoeconomics, geotechnology and soft power influence are over eight out of ten.

The same pattern of elite trust in Japan can also be seen among the regime elites across different domains of power in Vietnam. There are four key domestic players in shaping Hanoi's foreign policy, including the Vietnamese Communist Party (VCP); headed by the general secretary, the government, the president's office, and the National Assembly. The VCP, as the only political party, is the most influential in designing the country's foreign policy, while the government and the state's office play an implementing role. This structure occasionally restricts Vietnam's relationship with Western partners, as party conservatives often view criticism of human rights and democracy as veiled efforts to delegitimise the regime. However, unlike suspicions about other Western democracies, the Vietnamese elite leadership agree that Japan is a "highly reliable, long-term, and foremost" strategic partner.⁹ This comes as a result of Tokyo's patient and generous support for Vietnam's social and economic development over the decades, while often remaining silent on

7 Céline Pajon, "Japan in South East Asia: Looking for a Balanced Indo-Pacific," *Italian Institute for International Political Studies*, 11 December 2019, <https://www.ispionline.it/en/pubblicazione/japan-south-east-asia-looking-balanced-indo-pacific-24578>.

8 Sharon Seah, Hoang Thi Ha, Melinda Martinus and Pham Thi Phuong Thao (eds), *State of South East Asia: 2021 Survey Report*, Singapore: ISEAS-Yusof Ishak Institute, 2021, <https://www.iseas.edu.sg/wp-content/uploads/2021/01/The-State-of-SEA-2021-v2.pdf>.

9 Bao Chinh phu (Vietnam's Government Newspaper), "Việt Nam nhất quán coi Nhật Bản là đối tác chiến lược quan trọng hàng đầu, lâu dài, tin cậy cao," (Vietnam consistently regards Japan as the first-ranked, highly credible, and long-term partner) 22 March 2021. <http://baochinhphu.vn/Thoi-su/Viet-Nam-nhat-quan-coi-Nhat-Ban-la-doi-tac-chien-luoc-quan-trong-hang-dau-lau-dai-tin-cay-cao/426463.vgp>.

Vietnam's political issues. This pragmatic approach has earned Tokyo a "problem-free" relationship with Hanoi.¹⁰

It is not only at the institutional level, but also on the personal level that Vietnamese leaders have also established strong ties with Japan. Since 2006, each year there has been at least one high-level visit (one of Vietnam's top four leaders) from Vietnam to Japan. This is comparable to China,¹¹ and among the most frequent destinations for Vietnamese leaders. The current Prime Minister Pham Minh Chinh used to be the Chairman of the Vietnam-Japan Friendship Parliamentarians' Group (2016 to 2021), which provided him frequent access to key Japanese policymakers in the National Diet. President Nguyen Xuan Phuc maintains a very close connection with Japan. During his tenure as the PM (2016 to 2021), Mr Phuc visited Japan every year, except in 2020 when the global pandemic started.¹² General Secretary Nguyen Phu Trong, who does not frequently venture out of Vietnam, visited Japan in 2015.



The Vietnamese elite leadership agree that Japan is a “highly reliable, long-term, and foremost” strategic partner. This comes as a result of Tokyo’s patient and generous support for Vietnam’s social and economic development over the decades, while often remaining silent on Vietnam’s political issues.



10 Do, Thuy T. and Dinh, Julia Luong, “5. Vietnam–Japan Relations: Moving Beyond Economic Cooperation?” in Le Hong Hiep and Anton Tsvetov (eds), *Vietnam’s Foreign Policy under Doi Moi*, Singapore: ISEAS Publishing, 2018: 96-116.

11 Note that Vietnamese leaders also visited China at least once a year before the pandemic.

12 See Ministry of Foreign Affairs of Japan, “Japan-Viet Nam Relations (Basic Data),” 6 September 2019, <https://www.mofa.go.jp/region/asia-paci/vietnam/data.html>.



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The level of elite trust in Japan is not only reflected in the number of exchanges, but also in the engagement with Vietnam's policy-making process, which Japanese institutions, particularly Japan International Cooperation Agency (JICA), are allowed to participate in. Japanese advisors directly assist with developing and implementing Vietnam's various policies, ranging from economics and finance to public governance. During the 1992 to 2012 period, nearly 7,000 Japanese advisors were assigned to work with Vietnam's government ministries and agencies.¹³ No other foreign governments have a similar level of influence over and access to Vietnam's policy-making process.

Multilaterally, the high level of trust in Japan creates Hanoi's positive perception of regional platforms of which Japan is a member or closely aligned with, particularly the Quad and AUKUS. Hanoi is among the few Southeast Asian nations to welcome the establishment of the Quad and AUKUS.¹⁴ In addition, Vietnam always actively participates in regional initiatives by Japan, such as the Greater Mekong Subregion (GMS) initiative.

THE INCREASING ROLE OF JAPAN IN VIETNAM'S SECURITY POLICY

Although Vietnam's foreign policy over the past 40 years has been characterised as

“omnidirectional” in the sense that Hanoi tries to expand its international network as much as possible, there are key anchors in their foreign policy; with Japan being one of the most important partners. However, Tokyo only began to be considered a strategic and security partner in the late 2000s. This was due to both Vietnam's increasing concern about China's rise, and Japan's more proactive foreign policy under the second tenure of PM Shinzo Abe.

Becoming the “strategic partners” in 2009, Vietnam and Japan upgraded their relationship to the “Extensive Strategic Partnership for Peace and Prosperity” in 2014 – with strong implications for political and security cooperation. Normatively, the move indicated that Japan was assigned a higher level of priority in Hanoi's foreign policy.¹⁵ Practically, the new partnership framework enabled the two countries to cooperate more effectively on security issues, with a particular focus on maritime security.¹⁶ This includes more high-level meetings on security issues as well as Japan's defence support to Vietnam. Hanoi and Tokyo held the first vice-ministerial bilateral dialogue on defence and security in 2013,¹⁷

13 Japan International Cooperation Agency, “ODA Nhật Bản dành cho Việt Nam: phát triển toàn diện,” November 2013. https://www.jica.go.jp/vietnam/office/others/pamphlet/ku57pq0000221kma-att/japans_oda_in_vietnam_201311_vie.pdf.

14 Albeit not explicitly. When asked about AUKUS and QUAD, Vietnam said it welcomed all initiatives that support peace, stability, and development in the region. See, for example, VTV, “Việt Nam nêu quan điểm về liên minh AUKUS,” 23 September 2021, <https://vtv.vn/chinh-tri/viet-nam-neu-quan-diem-ve-lien-minh-aukus-20210923182256921.htm>.

15 Vietnam has 17 strategic partners (including four EU members and the UK), three of which are comprehensive strategic partners, namely China, Russia, and India. Except three “special” relationship with Cambodia, Laos, and Cuba, Japan ranks fourth in the order.

16 Hanoi and Tokyo re-emphasised this point in a joint statement during PM Chinh's visit to Japan in November 2021. See Vietnam-Japan's “Joint statement: Toward the Opening of a New Era in Japan-Viet Nam Extensive Strategic Partnership for Peace and Prosperity in Asia,” November 2021. <https://www.mofa.go.jp/mofaj/files/100263706.pdf>.

17 The United States donated their first Coast Guard cutter only in May 2017, see Nguyen Tien, “US-donated coast guard vessel arrives in Vietnam,” *VnExpress International*, 24 July 2021, <https://e.vnexpress.net/news/news/us-donated-coast-guard-vessel-arrives-in-vietnam-4329913.html>.

when Tokyo awarded Vietnam with six used patrol vessels. With the restructuring of the Vietnamese Coast Guard (VCG) in 2013, Japan was able to provide ODA support for its development amidst China's rising aggression on the South China Sea.¹⁸ In 2017, during PM Abe's visit to Vietnam, Japan provided concessional loans for Hanoi to build another six vessels, worth 338 million US Dollars under the ODA scheme, which are expected to be completed by 2025.¹⁹

In addition to maritime assistance, the ever-greater military cooperation between the two countries can also be seen in different activities, including port calls of Japanese destroyers and aircraft in Vietnamese ports and airbases since 2016, joint naval exercises in 2016, 2019, and 2021,²⁰ as well as frequent high-level visits. In September 2021, Japanese Defence Minister Nobuo Kishi chose Vietnam to be his first foreign trip, where the new Japan-Vietnam Defence Equipment and Technology Transfer Agreement was signed. This signalled the possibility of more military equipment and technology transfers from Japan to Vietnam.²¹ During PM Chinh's visit to Japan in November 2021, Hanoi and Tokyo agreed to "accelerate consultations for the transfer of specific equipment including naval

vessels and related equipment" in light of the agreement, while also expanding cooperation areas to cybersecurity and military medicine.²² Japan, as a key US ally, can also function as an effective backchannel for Hanoi to indirectly cooperate with Washington on security issues owing to Hanoi's concern about Beijing's potential response to its more open engagement with the United States.



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18 Corey J. Wallace, "Japan's strategic pivot south: diversifying the dual hedge," *International Relations of the Asia-Pacific* 13/3 (2013): 479–517.

19 VnExpress, "Nhà vua và Hoàng hậu Nhật Bản đến Hà Nội," (The Emperor and Empress of Japan arrive in Hanoi) 28 February 2017, <https://vnexpress.net/nha-vua-va-hoang-hau-nhat-ban-den-ha-noi-3547246.html>.

20 See Japan Ministry of Defence's article list on joint exercise at <https://www.mod.go.jp/en/joint-exercise/>.

21 Online Newspaper of the Government of Socialist Republic of Viet Nam, "Viet Nam, Japan sign agreement on defense equipment and technology transfer," 12 September 2021. <http://news.chinhphu.vn/Home/Viet-Nam-Japan-sign-agreement-on-defense-equipment-and-technology-transfer/20219/45440.vgp>.

22 See note 17 above, 3.

In addition to progress in the bilateral relationship, Vietnam and Japan have cooperated well in multilateral platforms of which both are members such as Asia-Europe Meeting (ASEM), APEC, and ASEAN Regional Forum (ARF).²³ Following the US withdrawal from the Trans-Pacific Partnership (TPP), it was thanks to Japan's leadership that revived it to CPTPP – the most comprehensive trade deal that Vietnam ever joined. Vietnam even toys with the idea of joining the Quad Plus, albeit primarily for economic purposes.²⁴

There are, however, some reservations about the moving the security relationship between Vietnam and Japan forward. First, Hanoi's insistence on an independent defence policy emphasising “four No's”²⁵ makes it difficult to upgrade the relationship to higher levels with security partners. Although the increasing threat perception from China convinces Hanoi to adopt a more flexible approach in defence cooperation,²⁶

it will be highly surprising if Vietnam takes a big step towards military alliances with Japan or any other country.²⁷ Second, some Vietnamese policymakers perceive Japan as a country without an independent defence policy due to constitutional restraints and a dependence on the United States.²⁸ This will be a “glass ceiling” to further deepen the two countries' security cooperation in more sensitive areas, particularly intelligence sharing. Third, China is cautious of a closer Vietnam-Japan security partnership and will certainly exert pressure on Hanoi's leadership here. As Japanese Defence Minister Kishi arrived in Hanoi, Chinese Foreign Minister Wang Yi also began his visit to Vietnam. Despite sovereignty and maritime disputes, Beijing is still highly influential in Vietnamese domestic politics, given the strong party-to-party tie between the VCP and the Chinese Communist Party (CCP). Using both incentives and pressure,²⁹ China can limit Hanoi's deeper engagement with Japan, particularly in political and security issues.

23 Tran Duc, “Đối tác chiến lược sâu rộng Việt Nam - Nhật Bản: Kết quả ấn tượng và triển vọng tươi sáng,” (Extensive strategic partnership Vietnam - Japan: Impressive results and bright prospects) *Tap chi Cong san* (The Communist Review), 30 July 2019, <https://www.tapchiconsan.org.vn/web/guest/-oi-ngoai2/-/2018/504460/doi-tac-chien-luoc-sau-rong-viet-nam---nhat-ban-ket-qua-an-tuong-va-trien-vong-tuoi-sang.aspx>.

24 Dang Cong san (The Vietnamese Communist Party Newspaper), “Tham gia “Bộ tứ mở rộng” có là cơ hội cho Việt Nam?” (Is participating in the QUAD an opportunity for Vietnam?) 25 May 2020, <https://dangcongsan.vn/cung-ban-luan/tham-gia-bo-tu-mo-rong-co-la-co-hoi-cho-viet-nam-555568.html>.

25 Conventionally known as the “three No's” policy (no military alliances, no foreign bases and usage of the territory for military activities, and no siding with one country against another), Vietnam's 2019 White Paper adds another “no”: no use or threatening to use force.

26 Huong Le Thu, “Vietnam Draws Lines in the Sea: Hanoi's new defense white paper reflects fears of Chinese encroachment,” *Foreign Policy*, 6 December 2019, <https://foreignpolicy.com/2019/12/06/vietnam-south-china-sea-united-states-draws-lines-in-the-sea/>.

JAPAN AS AN ECONOMIC COUNTERBALANCE TO CHINA'S INFLUENCE

Similar to other Southeast Asian countries, China has become the biggest economic player in Vietnam over the past two decades. It is by far the country's biggest trade partner (also the biggest source of trade deficit) while exerting an enormous influence on the economy by providing loans and investments. In electricity generation, for example, China is the largest provider

27 Bjørn Elias Mikalsen Grønning, “Japan's security cooperation with the Philippines and Vietnam,” *The Pacific Review* 31/4 (2017): 533-552.

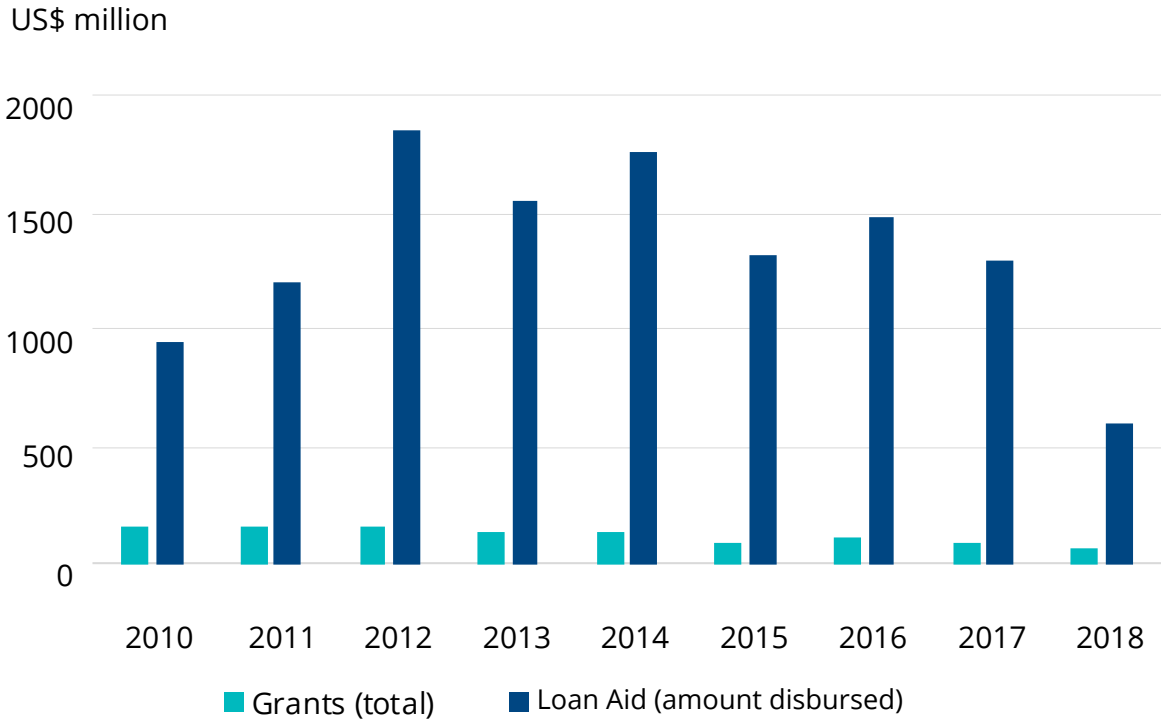
28 See note 11 above.

29 Huong Le Thu, “China's dual strategy of coercion and inducement towards ASEAN,” *The Pacific Review* 32/1 (2018): 20-36.

of loans to Vietnam’s coal-fired plants.³⁰ While the economic relationship provides many benefits, it also raises concerns in Hanoi about the risk of over-reliance on China, as well as Beijing’s use of economic tools to coerce Vietnam in other issues, particularly the South China Sea disputes. Despite not yet having China’s decoupling strategy, Hanoi has taken great strides in strengthening its economic relations with other partners to hedge against China’s economic domination. Japan is naturally Vietnam’s first choice.

Arguably, Japan may be regarded as the most important economic partner of Vietnam, evaluated using three key pillars of ODA, investment, and trade. Tokyo is Hanoi’s largest bilateral ODA donor and creditor. By the end of 2018, Japan provided Vietnam with up to 14.5 billion US Dollars, amounting to almost 70 per cent of Vietnam’s total bilateral foreign debts.

Figure 2. ODA from Japan to Vietnam, 2010-2018 (US\$ million)



30 Chí Nhân, “Trung Quốc đầu tư điện than lớn nhất tại VN,” (China’s largest coal power investor in Vietnam) *Thanh niên* (the Youth Daily), 6 May 2017, <https://thanhnien.vn/trung-quoc-dau-tu-dien-than-lon-nhat-tai-vn-post662222.html>.

In Foreign Direct Investment (FDI), Japanese businesses have been the major investors since *Doi moi*, concentrating on the processing and manufacturing industry, electricity, and real estate business. As of 2020, Japan was the largest foreign investor in Vietnam with a cumulative registered capital of 60.58 billion US Dollars and 4,611 projects.

In terms of trade, Japan ranks fourth among the top trading partners of Vietnam (after China, the US, and South Korea). Compared to other partners, Vietnam has maintained a relatively balanced trade relationship with Japan in recent years. In contrast to Chinese products, Japanese goods and services have historically been very popular on the Vietnamese market.

Figure 3. Outward Direct Investment from Japan to Vietnam, 2010-2020³¹

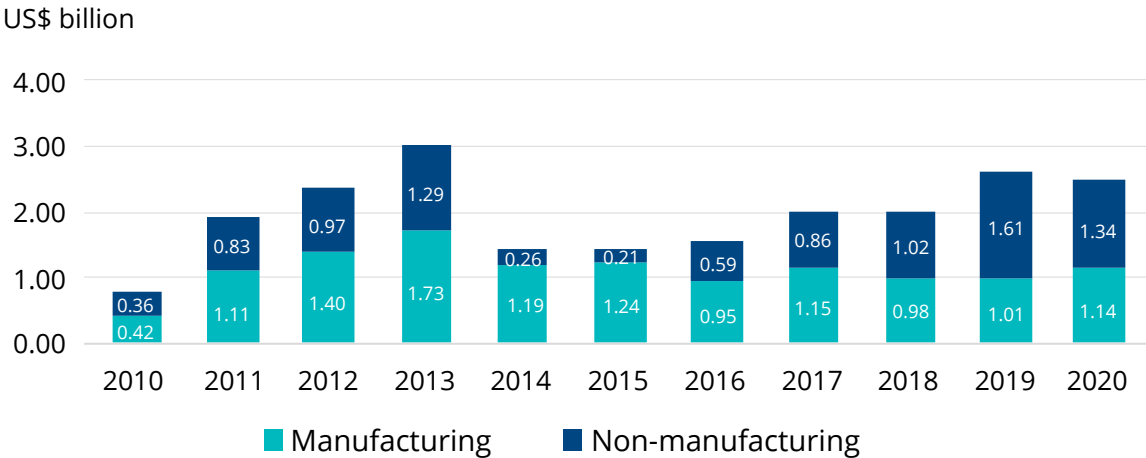
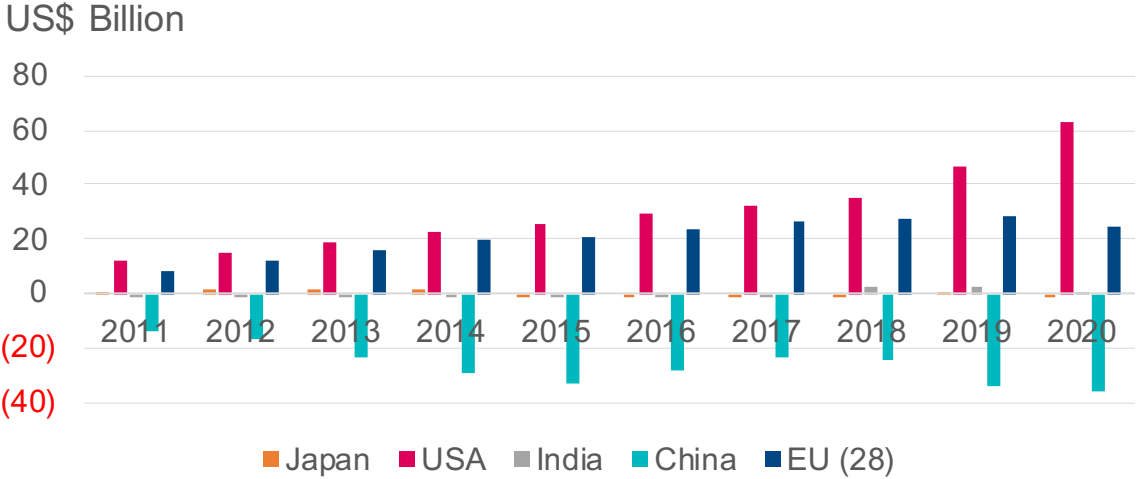


Figure 4. Trade balance Vietnam-Japan and other country/region, 2011-2020



31 Data compiled from Bank of Japan data (2021). Accessed online at <https://www.boj.or.jp/en/statistics/br/bop/index.htm/#p02>.

An emerging area of economic cooperation between the two countries is human resources, particularly under the Technical Intern Training Program. The Vietnamese accounted for more than half of 410,000 foreign technical trainees in Japan by the end of 2019, far exceeding China (20 per cent); the Philippines (8.7 per cent), and Indonesia (8.6 per cent). In total, nearly half a million Vietnamese currently work in Japan, providing a huge alternative workforce to Japan's shrinking working population while sending remittance back home to Vietnam.³²

In addition to positive bilateral economic relations, Vietnam and Japan are both members of the two largest multilateral free trade agreements in the region, CPTPP and RCEP. Japan played a strong leadership role in promoting negotiations when the US and India announced their withdrawal from the TPP and the RCEP respectively. It is worth noting that the two countries have never had any open disagreements in shared multilateral platforms. In the joint statement, two PMs promised to "uphold the high standards" of CPTPP.³³ This is important given China's recent application to join the bloc and concerns over Beijing's real intention, as well as its willingness to uphold existing agreements if it indeed joins CPTPP.

Conclusion

Given the joint concerns on the rise of China from both sides, the Vietnam-Japan relationship will continue to flourish. The deepest area of cooperation will be economic development, as both Tokyo and Hanoi tried to decouple from economic overreliance on

China.³⁴ Nevertheless, security cooperation, particularly in the area of maritime capacity and defence support, will be accelerated due to increasing concerns about Beijing's military aggression in the East and South China Seas.

Vietnam, given the complex history with China, worries about asymmetrical dependence on China.³⁵ As a result, Hanoi will continue its attempts to forge a closer relationship with Tokyo in multiple areas as a counterweight to Beijing's gravity.³⁶ Japan's active role in regional multilateral platforms such as CPTPP and RCEP also complements Vietnam's appetite for trade. In terms of maritime security, Japan's support is extremely valuable for boosting Vietnam's maritime capacity. The closer relationship between the two countries also helps Hanoi promote indirect security ties with the United States, and mitigating the risk of displeasing China in the process. It is no surprise that Vietnam supports many of Japan's initiatives, particularly the "Free and Open Indo-Pacific."

Japan views Vietnam as having the same interest in counterbalancing the rise of China in the region, while its economic and strategic potential is arguably larger than the Philippines – the other ASEAN state with close ties to Tokyo and which is also directly threatened by China's aggression on the South China Sea.

Despite remarkable progress, however, it is important to recognise the limitations of the relationship, particularly in light of each country's domestic constraints. It can therefore be expected that while there will be deeper cooperation,

32 Nguyen Quy, "Vietnamese workers outnumber Chinese peers in Japan," *VnExpress International*, 2 February 2021, <https://e.vnexpress.net/news/news/vietnamese-workers-outnumber-chinese-peers-in-japan-4230331.html>.

33 See note 17 above, 7.

34 See note 19 above.

35 Jessica C. Liao and Ngoc-Tram Dang, "The nexus of security and economic hedging: Vietnam's strategic response to Japan-China infrastructure financing competition," *The Pacific Review* 33/3-4 (2019): 669-696.

36 Ibid.

particularly in security issues, the pace of the rapprochement will be incremental and carefully calculated – at least from the Vietnamese side. In his meeting with Vietnamese PM Chinh, Japanese PM Kishida said that the bilateral relations are now “at the best stage ever in history.”³⁷ This is not an overstatement, but there is still room for improvement to foster an even closer partnership. This particularly applies to the realm of economic cooperation as both countries are struggling to get back on track in the post-pandemic world.

First, in addition to increasing investment and technology transfer, particularly following the recent flow of Japanese investment in China, Japan can help address Vietnam’s infrastructural deficit. Japan’s “Quality Infrastructure” initiative, while offering an alternative to China’s Belt Road Initiative (BRI), could arguably do more to solve Vietnam’s serious lack of infrastructural development. What is more, solving chronic issues of Japanese-funded infrastructure projects in Vietnam – most prominently constant delays, high investment costs, and cost overruns – should be made a priority.

Second, Japan needs to provide support for Vietnam’s structural reform towards a less state-oriented, and more market-based economy. As the leading market economy in the Indo-Pacific region, Japan could be an exemplar for Vietnam’s reform efforts. This is vital as discourse on domestic reform in Vietnam remains divided between China’s state-led model on the one hand, and a more liberal-leaning economic model which gives more scope to the private sector on the other.

Third, although Japan has benefitted from its pragmatic approach of not engaging

in Vietnam’s domestic issues, particularly regarding human rights, Tokyo should be more proactive in helping Vietnam speed up its institutional reform. A long-term, stable friendship should not rest only on the common fear of a rising regional hegemon or economic interest, but on shared values. In this sense, Japan should work with partners such as the EU in helping Vietnam build more transparent and efficient governance, a fair justice system, as well as supporting the development of Vietnamese civil society. A more democratic and open Vietnam will not only be good for the Vietnamese, but a much more trusted regional partner.



Although Japan has benefitted from its pragmatic approach of not engaging in Vietnam’s domestic issues, particularly regarding human rights, Tokyo should be more proactive in helping Vietnam speed up its institutional reform. A long-term, stable friendship should not rest only on the common fear of a rising regional hegemon or economic interest, but on shared values. In this sense, Japan should work with partners such as the EU in helping Vietnam build more transparent and efficient governance, a fair justice system, as well as supporting the development of Vietnamese civil society.



37 Thanh Thanh Lan, “Japan promises Vietnam support for fighting Covid,” *VnExpress International*, 25 November 2021, <https://e.vnexpress.net/news/news/japan-promises-vietnam-support-for-fighting-covid-4394378.html>.



Thailand Case Study

Japan-Thailand Bilateral Relations and its Implications for Regional Cooperation

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Acknowledgement: I would like to thank Dr Thanikun Chantra for her comments, and my research assistants, Mr Krichwat Wattanakomsang and Ms Woraporn Wajjwalku.

INTRODUCTION

Having lasted more than 130 years since 1887, the bilateral relation between Japan and Thailand is one of Thailand’s most longstanding ongoing bilateral diplomatic relations, only second to the US. This long period has witnessed both smooth and tumultuous times, for example, the Second World War, anti-Japanese sentiment in the 1970s, economic cooperation after Plaza Accord in the 1980s, financial cooperation during the Asian Financial Crisis in the 1990s, and JTEPA in the 2000s. However, both sides were able to overcome those difficulties and promote their relations by negotiation with trust. Recently, against the backdrop of critical geopolitical challenges in the region among major powers, the Covid-19 pandemic, dynamic economic changes, and serious climate effects, both sides have been required to posit themselves appropriately. This is not only to strengthen their bilateral relations, but also to enhance regional stability and development.

To explore Japan’s role as an alternative in the region, by examining the dynamic bilateral relations and their implications for the

region between 2013 and 2021, I argue that both countries intended to strengthen their relations to promote regional stability and foster regional integration. During this period, Chinese President Xi Jinping announced the Belt and Road Initiative (BRI) in 2013, and in doing so, China has expanded its influence over the region, not only in terms of economic but also political and security. Conversely, the ‘America First’ policy and President Trump’s absence from several bilateral and multilateral meetings with Asian leaders signified that, for the Trump administration, Southeast Asia was not a foreign policy priority. In addition, the US withdrawal from TPP and its trade war with China provoked economic uncertainty in the region, particularly the policy direction related to trade liberalisation. This is critical for many Southeast Asian countries’ growth which depends on the export-oriented industry.¹

1 Ian Storey and Malcolm Cook, “The Trump Administration and Southeast Asia: Half-time or Game Over?”, *ISEAS-Yusof Ishak Institute: Perspective* 112 (2020): 2-6

In general, Thailand did not perceive China's rise as a security threat but as an economic opportunity instead.² Therefore, realising China's rise and increasing regional tensions between Beijing and some Southeast Asian countries, due to its economic ties and long-term relations with China, Thailand, led by Gen. Prayuth Chan Ocha³ has avoided picking a side with its neighbouring countries to confront China. Instead, Thailand has proposed a peaceful settlement through the ASEAN mechanism.⁴

2 Chulacheeb Chinwanno, "Rising China and Thailand's Policy of Strategic Engagement", In Jun Tsunekawa (ed.), *The Rise of China: Responses from Southeast Asia and Japan*, NIDS Joint Research Series 4 (2009): 81-109; Ian Storey, "Trends in Southeast Asia: Thailand's Post-Coup Relations with China and America: More Beijing, Less Washington", *ISEAS-Yusof Ishak Institute* 20 (2015): 13-25.

3 There was a coup in 2014, and the country was under NCPO government with Gen. Prayuth Chan Ocha as the prime minister until 2019. This was then followed by a coalition government headed by the same prime minister – Gen. Prayuth Chan Ocha – after the general election in 2019 until recent time.

4 For example, in case of the conflict in South China Sea in which China and several ASEAN member countries were involved, when China refused to comply with a ruling announced by the Permanent Court of Arbitration under the UNCLOS indicating that there was no legal basis for China to claim historical rights over resources within the sea falling within the nine-dash line, Thailand had suggested that the conflict should be resolved by peaceful means. See details in "The Roles of Thailand," *Bangkok Biz News*, 13 July 2016, <https://www.bangkokbiznews.com/blogs/columnist/113206>; "Thailand, Indonesia call for peace and stability in South China Sea ahead of tribunal ruling," *The Straits Times*, 12 July 2016, <https://www.straitstimes.com/asia/se-asia/indonesia-urges-all-parties-to-exercise-restraint-ahead-of-south-china-sea-ruling>.

However, to maintain a balance of power in the region, the Thai government has also strengthened its relations with other major powers such as Japan or India to balance China through economic cooperation. Japan, the country, led by Liberal Democratic Party (LDP) under Shinzo Abe and Yoshihide Suga administrations (Dec 2012 to Sep 2020; Sep 2020 to Oct 2021), played an active role through the so-called 'Proactive Contribution to Peace' policy, which was welcomed by the Thai government. The latter viewed them as a balancing act against China as well as a tool to enhance regional security, peace, and prosperity.⁵ Concurrently, as ASEAN Economic Community (AEC) was established in 2015 to deepen regional economic cooperation and to eventually pave the way for the whole regional integration, Japan confirmed its support for the regionalisation process.⁶

5 Pensom Lertsithichai, "Japan's Proactive Contribution to Peace: Implications in the Region and Policy Recommendation for Thailand," *Devavongse Varopakarn Institute of Foreign Affairs*, IV-V (2015): 55. See also "Prayuth shows readiness," *Bangkok Biz News*, 22 November 2015, <https://www.bangkokbiznews.com/news/675474>.

6 Mission of Japan to ASEAN, "Japan's Cooperation towards the AEC," <https://www.asean.emb-japan.go.jp/documents/20151002.pdf>, accessed 21 January 2022.



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Thailand did not perceive China's rise as a security threat but as an economic opportunity instead. Therefore, (...) Thailand (...) has avoided picking a side with its neighbouring countries to confront China. (...) However, to maintain a balance of power in the region, the Thai government has also strengthened its relations with other major powers such as Japan or India to balance China through economic cooperation.



According to its traditional foreign policy principle of 'flexibility'⁷ and the recent approach of 'complex engagement',⁸ Thailand has tried to maintain a balance of power among major powers, including the US, China, and Japan; namely it has been cautious about not getting too close to any country. On the other hand, based on its experience, Bangkok has realised the significance of regional cooperation with a high priority on promoting ASEAN Centrality.⁹ Therefore, Japan-Thailand bilateral relations are a key tool for supporting ASEAN Centrality and balancing with other major powers in the region. Concurrently, Tokyo also shares a similar view of ASEAN Centrality and the significance of bilateral relations for both the bilateral context itself, and the regional cooperation.¹⁰

7 Hongpha Subboonrueng and Poowin Bunyavejchewin, "Thailand 4.0 in World Politics: The 5 S Foreign Affairs Strategy," *Thai Journal of East Asian Studies* 2 (2019): 312-27.

8 Supalak Ganjanakhundee, "Thailand's 'Complex Engagement' in Foreign Policy: A Balancing Act," *ISEAS-Yusof Ishak Institute: Perspective* 23 (2020): 1-9.

9 Ministry of Foreign Affairs of the Kingdom of Thailand, "Promoting Thailand's Role on the Global Stage," <https://www.mfa.go.th/en/page/foreign-policy?menu=5e1fcc1657b01e001a03f7d2>, accessed 20 December 2021.

10 Ministry of Foreign Affairs of Japan, "The 24th ASEAN-Japan Summit Meeting," https://www.mofa.go.jp/a_o/rp/page4e_001183.html, last modified 27 October 2021; Ministry of Foreign Affairs of Japan, "Video Message of Mr. Miyake Shingo, Parliamentary Vice Minister for Foreign Affairs, on the Thai National Day," https://www.mofa.go.jp/s_sa/sea1/th/page6e_000263.html, last modified 6 December 2021.

POLITICAL AND SECURITY RELATIONS

According to Japan's foreign ministry poll conducted in 2017, Thailand considers Japan a trustworthy partner and a reliable country compared to other major powers such as China and the US.¹¹ This attitude stems from longstanding good relations, shared values, and strong economic ties in terms of trade and investment. Thai people perceive Japan to be a country with a strong economy and high technology, beautiful nature, and rich tradition and culture. But, although the relationship has been smooth, strong, and stable, each side has not been considered to be the most vital, particularly in politics and security.

The Japan-Thailand relationship was upgraded to a strategic partnership in 2012. The main reason behind this was that both countries shared similar concerns about China's influence in the region and situations in the South China Sea. Due to China's growing influence in the region, Japan is considered one of the major powers to balance and stabilise regional security. Under the current policy framework, Thailand has entered into discussions with Japan on regional security issues, including the South China Sea under the geopolitical situation between the US and China, and situations on the Korean Peninsula.¹² Based on this policy direction, ever-more collaborative activities have been conducted by both sides. For the Japanese side, Japan

has been promoting the rule of law and freedom of navigation under Japan's Free and Open Indo Pacific (FOIP) Strategy. In addition, while ASEAN, of which Thailand is a member, has promoted the ASEAN Outlook on Indo-Pacific (AOIP), the Japanese leader recently emphasised the cooperation which contributes to enhancing the fundamental principles of openness, transparency, inclusiveness, and the rule of law as upheld in the AOIP and shared with FOIP as well.¹³ At the same time, Thailand has agreed to enhance ASEAN-Japan relations, including the FOIP, AOIP, Covid-19 policy, AJCEP, RCEP, and the South China Sea measures.¹⁴

For relations on the defence aspect, namely cooperation on defence equipment and technology, military cooperation and exchange between the two countries' defence ministries were formally agreed in 2019.¹⁵ Both sides agreed to enhance bilateral and multilateral defence cooperation and exchange, including defence equipment and technology cooperation, based on

11 Ministry of Foreign Affairs of Japan, "Opinion Poll on Japan in Ten ASEAN Countries," https://www.mofa.go.jp/press/release/press4e_001780.html, last modified 1 November 2017.

12 Ministry of Foreign Affairs of the Kingdom of Thailand, "Japan," <https://www.mfa.go.th/th/country/JP?page=5d5bc-b3915e39c3060006815&menu=5d5bd3c715e-39c306002a87f>, last modified 11 March 2020.

13 Ministry of Foreign Affairs of Japan, "The 24th ASEAN-Japan Summit Meeting," https://www.mofa.go.jp/a_o/rp/page4e_001183.html, last modified 27 October 2021.

14 "Thailand pledges to enhance ASEAN-Japan relations," *National News Bureau of Thailand*, 27 October 2021, <https://thainews.prd.go.th/en/news/detail/TCATG211027154715539>; Ministry of Foreign Affairs of the Kingdom of Thailand, "Deputy Prime Minister and Minister of Foreign Affairs of Thailand attended the ASEAN-Japan Ministerial Meeting," <https://www.mfa.go.th/en/content/asean-japan-meeting?cate=5d5bc-b4e15e39c306000683c>, last modified 4 August 2021.

15 Japan Ministry of Defence, "Japan-Thailand Defense Ministerial Meeting (Summary)," 17 November 2019, https://www.mod.go.jp/en/d-act/exc/area/docs/20191117_j-thai.html; "PM Prayut welcomes Japanese Defence Minister to Bangkok", *Thai News*, 17 November 2019, <https://thainews.prd.go.th/en/news/detail/TCATG191117164611862>.

the common understanding that AOIP shares fundamental principles with FOIP in promoting peace and cooperation in the region.¹⁶

Besides the aligned policy direction on security and cooperation on defence, both countries have also conducted activities related to cooperation on counterterrorism, transnational crime, and cybersecurity under the ASEAN-Japan framework.¹⁷ One significant activity is Japan's support in finance and technology for establishing the "ASEAN-Japan cybersecurity capacity building center in Bangkok."¹⁸ This centre will strengthen the knowledge and skills of both government officials and private sector personnel of ASEAN member countries through training programmes that protect systems, networks, programmes, devices, and data from cyberattacks. In turn, this will increase cybersecurity in the region.

However, it noted that according to the 20 Years-National Strategic Plan 2018 to 2037 and the Twelfth National Economic and Social Development Plan 2017 to

2021, the Thai government had strongly focused on internal security.¹⁹ In addition, based on the principle of flexibility, the government has maintained a balance of power among major powers in the region. Therefore, several military-related activities were not conducted bilaterally but rather multilaterally through ASEAN or US-led frameworks, such as ASEAN Defense Ministers' Meeting Plus (ADMM-plus)²⁰ and the Cobra Gold Exercise.²¹

Regarding the political aspect, frequent visits among members of the royal family and high-level officials symbolise the cordial relationship between the two countries.²² The total size of the Thai diplomatic corps in Japan and its large number of activities also reflects the significance of Japan in Thai

16 Ministry of Defence of Japan, "Japan-Thailand Defense Ministers' Video Teleconference," <https://www.mod.go.jp/en/article/2021/05/7719f04ae569727544d01e55d8f62f9308eb70b2.html>, last modified 25 May 2021.

17 Ministry of Foreign Affairs of Japan, "The First ASEAN Plus Japan Ministerial Meeting on Transnational Crime (AMMTC + Japan), and the 6th ASEAN Plus Three Ministerial Meeting on Transnational Crime (AMMTC + 3)," https://www.mofa.go.jp/region/page5e_000031.html, last modified 22 November 2013.

18 Government Public Relations Department, "ASEAN-Japan Cybersecurity Capacity Building Center," http://www.asean thai.net/ewt_news.php?nid=9041&filename=index_2, last modified 11 June 2019; "The Opening Ceremony of the ASEAN-Japan Cybersecurity Capacity Building Center," *Post Today*, 6 October 2019, <https://www.posttoday.com/aec/scoop/566657>.

19 The Office of Prime Minister, *The 20 Years-National Strategic Plan 2018-2037*, 2018, <http://nscr.nesdb.go.th/wp-content/uploads/2019/10/National-Strategy-Eng-Final-25-OCT-2019.pdf>; The National Economic and Social Development Council (NESDC), *The Twelfth National Economic and Social Development Plan 2017-2021*, 2017, https://www.nesdc.go.th/ewt_dl_link.php?nid=6422.

20 "Japan visits Thailand for the ADMM-Plus Meeting," Government Public Relations Department, http://www.asean thai.net/1723/ewt/asean thai/ewt_news.php?nid=9475&filename=index, last modified 18 November 2019.

21 U.S. Embassy & Consulate in Thailand, "Cobra Gold 21 Showcases Strength of our Security and Health Partnerships," <https://th.usembassy.gov/cobra-gold-21-showcases-strength-of-our-security-and-health-partnerships/>, last modified 23 August 2021.

22 "The Emperor of Japan visits Thailand," *BBC News*, 3 March 2017, <http://www.bbc.com/thai/thailand-39149815>; "Thai Prime Minister Visits Prince Naruhito," *Daily news*, 9 February 2015, <https://www.dailynews.co.th/politics/299944/>; "Prime Minister of Japan visits Thai Monarchy this evening," *Post Today*, <https://www.posttoday.com/politic/news/199503>, 17 January 2013.

foreign relations. Similarly, many Japanese companies and residents in Thailand bear testimony to the high status of Thailand in Japanese economies.²³

Recently, faced with the health disaster of the Covid-19 pandemic, Japan has provided support to Thailand through bilateral and multilateral channels. While 2.05 million doses of vaccine, the cooperation to promote research for strengthening virus surveillance and testing capabilities, and development of drug treatment were provided through the bilateral channel, other types of support such as the donation of 868 oxygen concentrators for Covid-19 patients, the renovation of National Laboratory at National Institute for Health, and provision of cold chain equipment needed for vaccine transportation and storage were provided through the multilateral channel including UNOPS, WHO, and UNICEF. Japan has also supported establishing the ASEAN Center for Public Health Emergency and Emerging Diseases in Thailand.²⁴ Although the idea of so-called “a friend in need is a friend indeed” has been promoted by the Japanese side, the Thai side has been aware of the importance of vaccine diplomacy among major powers and the competition it creates.

23 Ministry of Foreign Affairs of Japan, “Japan-Thailand Relations (Basic Data),” <https://www.mofa.go.jp/region/asia-paci/thailand/data.html>, last modified 15 December 2020.

24 “What’s New,” Embassy of Japan in Thailand, https://www.th.emb-japan.go.jp/itprtop_en/index.html, accessed 29 November 2021; Embassy of Japan in Thailand, “A Friend in need is a friend indeed,” <https://www.th.emb-japan.go.jp/files/100247728.pdf>, last modified October 2021.

ECONOMIC COOPERATION

For several post-war decades, the economic relationship has been the most active aspect of bilateral relations. Japan has long been a major trading partner and investor, and development donor for Thailand, on the one hand; while Thailand is an essential base of the Japanese production network and a key economic driver for regional integration, particularly its attempt to lessen the disparity between ASEAN founder members and Mekong countries for Japan, on the other. In addition, according to Ganjanakhundee, it is now comfortable with Thailand engaging economically with countries in East Asia, including Japan, China, and South Korea. That is because these East Asian countries have refrained from seriously commenting on Thai domestic politics and have mainly focused on mutual economic interests.²⁵ Yet, some argue that the economic competition between Japan and China in Thailand may be a useful tool for enhancing Thailand’s economic growth and regional posture, for example, having both countries develop Thailand’s railway infrastructure.²⁶

Regarding trade, it noted that the amount of trade between Thailand and Japan has been consistent between 2013 and 2021. However, the trade balance has continued to be a significant concern for Thailand as it has been a disadvantage. In addition, data from the Ministry of Commerce (MoC) shows that Japan is not the most important trading partner for Thailand in terms of both importers and exporters. Between 2014 and 2021, Japan ranked second after China as an import partner, while during the same period, Japan ranked third after the US and China as an export partner.

25 See note 6 above, 4-5.

26 See note 3 above, 58.

Both sides have agreed to conclude bilateral and multilateral/regional free trade agreements to promote trade since the 2000s. For instance, Tokyo and Bangkok signed the Japan-Thailand Economic Partnership Agreement (JTEPA) in 2007 with the expectation to deepen bilateral economic cooperation, including trade, investment, and movement of natural persons. However, following ten years of operation, some scholars observed that this agreement was not utilised as much as expected. The Thai exporters did not utilise JTEPA as much as anticipated due to other existing preferential schemes and the complication of JTEPA itself, particularly the Rules of Origin (ROO). Moreover, the preference under JTEPA was not familiar to exporters and entrepreneurs.²⁷

While the bilateral trade agreement has been under review according to a prior agreement that renegotiation would take place after ten years of operation, the two sides have continued to strengthen their trade through regional frameworks such as the ASEAN-Japan Comprehensive Economic Partnership Agreement (AJCEP). This agreement was signed and became effective in 2008. The Regional Comprehensive Economic Partnership (RCEP) was signed in 2020 and will be effective in 2022. Indeed, critical arguments were the weakening of a multilateral trade system centered at the WTO, overlapping with existing bilateral FTA, and confusing custom clearance. However, both countries have realised the long-term benefits of these free trade agreements aiming for a broader market that would contribute to economic growth. The RCEP in particular has witnessed the participation of two key economic powers, namely Japan and China. Both Thailand and

27 Ibid.

Japan expected that this agreement would promote trade and strengthen the regional economic integration.²⁸

Intriguingly, the Thai government recently is considered joining the Comprehensive and Progressive Agreement of Trans-Pacific Partnership (CPTPP). Japan has been a key driver of CPTPP after the US withdrawal, while China is not a group member. However, the recent development of this economic cooperation reflects the complicated relations between Japan and China as both China and Taiwan are applying to join the group. This situation might lead to another front of competition and conflict between both powers in the region.²⁹ For Thailand, while avoiding any conflict with major powers, the main reason for considering joining CPTPP is the fear of being left behind with less economic competitiveness than its

28 Ministry of Foreign Affairs of Japan, "The 4th Regional Comprehensive Economic Partnership (RCEP) Summit and RCEP Agreement Signing Ceremony," https://www.mofa.go.jp/policy/economy/fta/page1e_000291.html, last modified 15 November 2020; "Asia-Pacific's 15-member RCEP trade deal to take effect in January, Australia says," *The Japan Times*, 3 November 2021, <https://www.japantimes.co.jp/news/2021/11/03/business/economy-business/rcep-january/>; Ministry of Foreign Affairs of the Kingdom of Thailand, "Thailand deposited instrument of ratification of the RCEP with ASEAN Secretariat," <https://www.mfa.go.th/en/content/rcep-2?cate=5d5bcb4e15e39c306000683e>, last modified 4 November 2021; "Thailand ratifies RCEP Pact," *Bangkok Post*, 1 November 2021, <https://www.bangkokpost.com/business/2207255/thailand-ratified-rcep-pact>.

29 "Japan at crossroads in shaping Pacific Rim economic order," *The Japan Times*, 28 October 2021, <https://www.japantimes.co.jp/opinion/2021/10/28/commentary/japan-commentary/japan-pacific-rim-economic-order/>; "Ministry of Commerce follows China's CPTPP application," *Bangkok Biz News*, 20 September 2021, <https://www.bangkokbiznews.com/business/961127>.

neighbouring countries.³⁰ Moreover, with its desire to expand economic cooperation, Japan has encouraged Thailand to join CPTPP.³¹ However, several studies assessed that there are fewer benefits of this agreement in terms of trade compared with other existing ones, as well as possible negative repercussions on agricultural and pharmaceutical sectors.³² These concerns have raised awareness and objection among stakeholders in society,³³ resulting in prolonging the decision to join the group and demanding more study.³⁴

Regarding investment, Japan has been the principal investor in Thailand, with high levels of foreign direct investment

(FDI) flowing into Thailand between 2013 and 2021. The Board of Investment of Thailand (BOI) shows that, in comparison with the US and China, the Japanese FDI is the highest among these major powers; except in 2018 and 2019 when the US' FDI and China's FDI were the highest, respectively. In addition, according to BOI, metal products and machinery and electric and electronic products were the two main sectors for which BOI approved Japanese investment projects between 2015 and 2021. The Japanese Chamber of Commerce (JCC) in Bangkok commented that Thailand is considered as an investment-friendly economy for Japanese businesses and industries due to several factors, including continuous and stable investment and trade policies, existing industrial clusters and supply chains, good infrastructure (airports, seaports, road network, and stable electric supply), and bilateral cordial relationships.³⁵

Recently, according to the 20 Years-National Strategic Plan 2018 to 2037, Thailand has aimed to transform the country to become an innovative and value-based industrial country. This is the so-called 'Thailand 4.0 - Industry 4.0' with emphasis on some key industries such as automation and robotics, aviation, and logistics, biofuel and biochemical, and digital. Initiated and highly promoted by the government, the Eastern Economic Corridor (EEC) has been at the heart of this policy as a core industrial estate in the Eastern Special Development Zone along the country's East Coast. Aiming to be

30 "Thai Prime Minister says Thailand cannot miss the CPTPP train," *Bangkok Biz News*, 13 October 2021, <https://www.bangkokbiznews.com/news/965499>; "If Thailand does not join the CPTPP, the export would be in risky situation," *Post Today*, 14 June 2021, <https://www.posttoday.com/economy/news/655479>.

31 "Japan Ambassador suggests Thailand to join the CPTPP," *Prachatai*, 21 June 2020, <https://prachatai.com/journal/2020/06/88253>; "Japan supports Thailand joining CPTPP," *Prachachat*, 20 June 2020, <https://www.prachachat.net/economy/news-480229>.

32 The Office of Industrial Economics, Thailand, *The Final Report on the Comprehensive and Progressive Agreement for Trans-Pacific Partnership-CPTPP*, 2021, [http://www.oie.go.th/assets/portals/1/files/study_report/CPTPP\(final\).pdf](http://www.oie.go.th/assets/portals/1/files/study_report/CPTPP(final).pdf); Pimchanaok Chanwichit, "The effect of CPTPP on the farmer's rights in Thailand," *Interdisciplinary Sripratum Chonburi Journal* 2 (2020): 14-22; Natkritta Leelaprathuang, "The impact of CPTPP on accessing medicine in Thailand: Intellectual Property perspective," *Journal of humanities and Social Science* 1 (2021): 173-89.

33 "Thailand is not ready for CPTPP," *Prachachat*, 16 October 2020 <https://www.prachachat.net/economy/news-538940>; "Why Thailand should be slow down for the CPTPP," *Bangkok Biz News*, 14 November 2020, <https://www.bangkokbiznews.com/news/907773>.

34 "The Cabinet approve to prolong the study about the CPTPP for another 50 days," *Post Today*, 5 May 2021, <https://www.posttoday.com/economy/news/652097>.

35 "Expectations of Japanese Companies in Thailand for the Thailand 4.0," A presentation by Mr. Soji Sakai (President, Japanese Chamber of Commerce, Bangkok), [https://www.boi.go.th/upload/content/15.15%20-%2016.30%20\(1\)%20-%20Mr.%20Soji%20Sakai,%20President,%20Japanese%20Chamber%20of%20Commerce%20\(JCC\),%20Bangkok_EN_5ab214ec8c6ff.pdf](https://www.boi.go.th/upload/content/15.15%20-%2016.30%20(1)%20-%20Mr.%20Soji%20Sakai,%20President,%20Japanese%20Chamber%20of%20Commerce%20(JCC),%20Bangkok_EN_5ab214ec8c6ff.pdf), accessed 24 December 2021,.



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a Smart City with modern and sustainable architecture and environmental-friendly technology, EEC also sets the goal of becoming a carbon-neutral industrial estate in the future.³⁶ To achieve this, the Thai government has persuaded the Japanese government to support infrastructure development and encouraged Japanese businesses and industries to invest in the project with attractive incentives.³⁷ For the Japanese side, the Japanese private sector has demonstrated strong interest in investing in this project, and some have already conducted business under the project.³⁸ Based on this situation, there are bright prospects for bilateral economic relations in investment.

36 Eastern Economic Corridor Office, Why EEC – Government Initiative,” <https://www.eeco.or.th/en/government-initiative/>, accessed 24 December 2021.

37 “Draft plan of the Smart City,” *Prachachat*, 7 July 2019, <https://www.prachachat.net/economy/news-34703>; “Roadshow EEC,” *Prachachat*, 4 July 2018, <https://www.prachachat.net/economy/news-184857>; “The Industrial Estate Authority of Thailand joins hands with 7 Thai and Japans companies,” *Matichon*, 10 November 2021, https://www.matichon.co.th/economy/news_3034959; Eastern Economic Corridor Office, “EEC,” <https://www.eeco.or.th/en/filedownload/1180/file-eec-brochure-1st-japanese-version>, (accessed 24 December 2021); Eastern Economic Corridor Office, “Exploring Thailand,” <https://www.eeco.or.th/en/filedownload/1154/file-eec-brochure-2nd-japanese-version>, accessed 24 December 2021.

38 Japan External Trade Organization (JETRO), “Japan’s Investment in EEC,” https://www.jetro.go.jp/ext_images/thailand/pdf/Japanese_Investment_in_EEC.pdf, accessed 24 December 2021; “Japanese investors eye clean energy projects in Thailand’s EEC,” *The Nation Thailand*, 27 May 2021, <https://www.nationthailand.com/business/40001366>.

DEVELOPMENT ASSISTANCE AND COOPERATION

Thailand appreciates Japan as a key development partner owing to its continued provision of Official Development Assistance (ODA) to the country since the 1950s. Generally, Japan has provided three types of ODA to Thailand, namely grant aid, technical cooperation, and loan aid. However, the amount of grant aid is now gradually decreasing due to Thailand’s successful economic development reaching the level of a middle-income country. In contrast, technical cooperation and loan aid are relatively consistent and are still the main elements of Japanese ODA provided to Thailand. Until recently, Japan’s development assistance has contributed to the country’s development in several sectors, including transport development, health and elderly care, education cooperation with King Mongkut’s Institute of Technology Ladkrabang, and low carbon society and resilient development. Priority areas of cooperation conducted by the Japan International Cooperation Agency (JICA) in Thailand are sustainable economic development and dealing with an ageing society, dealing with common issues in ASEAN, and promoting cooperation towards countries outside ASEAN.³⁹

39 Japan International Cooperation Agency (JICA), “JICA in Thailand,” https://www.jica.go.jp/tailand/english/office/others/c8h0vm00007nd0pg-att/brochure_02.pdf, accessed on 25 December 2021.

'In line with the 20 Years-National Strategic Plan 2018 to 2037, which aims at connecting all parts of the country and connecting the country with other countries in the region and the world, infrastructure development is key.⁴⁰ To support Thailand to achieve this goal, Japan, based on a comprehensive approach for the high-quality transport sector,⁴¹ has agreed on the so-called Thailand-Japan Railway Partnership for Connectivity Success. This consists of the initial survey Bangkok-Chiangmai High-Speed Rail Development Project; the 20 Years (2010 to 2029) Mass Rapid Transit Master Plan for Bangkok Metropolitan Region (M-MAP); the Blueprint for the Second Bangkok Mass Rapid Transit Master Plan for Bangkok Metropolitan Region (M-MAP 2); and data collection survey on urban development in Bang Sue area.⁴²

Besides supporting hard infrastructure development, Japan has also provided aid for soft infrastructure development, namely human resource development and capacity building. As Thailand moves towards 'Thailand 4.0 - Industry 4.0', highly skilled labour is required for cutting-edge industries. For this, Japan has helped for human resource development in higher education for research & development through the ASEAN University Network/ Southeast Asia Engineering Education Development Network (AUN/SEED), and human resource development for industrial needs by establishing KOSEN educational

program with King Mongkut's Institute of Technology Ladkrabang (KOSEN-KMITL).⁴³ Notably, the KOSEN-KMITL was established following the agreement between both governments as a key mechanism for supporting Thailand to produce and strengthen the workforce in engineering, modern technology, and innovation by transferring Japanese expertise and collaborating with Japanese institutions such as the National Institute of Technology. It is expected that this programme will meet the demand for skilled labour for the Thai industrial sector, strengthen its industrial competitiveness, and support regional industrial production over the long term.⁴⁴

Another area of development cooperation between two countries is the South-South and Triangular Cooperation. While Thailand became a provider of aid in the early 2000s, Japan as a traditional donor, particularly after TICAD VI in 2016, has also demonstrated a strong interest in expanding the Triangular Cooperation Program with Thailand through the collaboration between JICA and Thailand International Cooperation Agency (TICA) by conducting a technical cooperation programme in the third developing country. In the course of the collaboration, Japan shares knowledge and experience on aid management with Thailand, and Thailand provides cooperation on resources and expertise which better match the

40 The Office of Prime Minister, op. cit.

41 Japan International Cooperation Agency (JICA), "Transport Sector Development," https://www.jica.go.jp/thailand/english/office/others/c8h0vm00007nd0pg-att/brochure_03.pdf, accessed on 25 December 2021.

42 Japan International Cooperation Agency (JICA), "Thailand-Japan Railway Partnership for Connectivity," https://www.jica.go.jp/thailand/english/office/others/c8h0vm00007nd0pg-att/brochure_04.pdf, accessed on 25 December 2021.

43 Japan International Cooperation Agency (JICA), "Human Resource Development and Education," https://www.jica.go.jp/thailand/english/office/others/c8h0vm00007nd0pg-att/brochure_05.pdf, accessed on 25 December 2021.

44 King Mongkut's Institute of Technology Ladkrabang (KMITL), "KOSEN-KMITL," <http://www.kosen.kmitl.ac.th/home/history>, accessed 20 December 2021.

circumstances of each beneficiary country.⁴⁵ For the Thai side, under the current bilateral policy framework, the Thai government also seeks more cooperation with Japan on this scheme.⁴⁶

SOFT POWER AND SOCIO-CULTURAL DIMENSION

Thanks to the Fukuda Doctrine and the Japan Foundation's huge efforts in promoting Japan's positive image after the anti-Japanese sentiment during the 1970s, Japan has recently been seen as having a unique tradition, culture, and beautiful nature. By the 2000s, the young Thai generation would respond that Japan is a peaceful and modern country that many would like to visit. Concurrently, the Thai authority also wants to attract more Japanese tourists following the tourism promotion policy⁴⁷. This has resulted in an increasing number of Japanese tourists coming to Thailand over the last decade. However, compared with the number of Chinese tourists coming to Thailand during the same period, Japanese ones were far less than China.

While a visit to Japan is rather costly for many Thais, there is a noticeable increase in their appreciation of Japanese culture as regards food and entertainment. The Japan

External Trade Organization (JETRO) shows that the number of Japanese restaurants in Bangkok and other provinces has increased sharply. In addition, Japanese anime is also popular among Thais, evidenced by the stable number of overseas contracts on licensed works according to the reports of the Anime Industry in the last decade. From this perspective, it may be possible to assume that Japan exerts soft power in Thai society.

However, in contrast to the high rate of appreciation of Japanese culture among Thais, data from JASSO reflects that the number of Thai students studying in Japan is not high in the higher education sector. Having said that, many Thais consider Japan to be a country with advanced technology. In line with this, there are not many Thai students studying the Japanese language in Thai universities either. One reason behind this situation might be an attempt to internationalise the country and reform the education system by the current Japanese government, particularly the Abe administration; resulting in less need for the Japanese language for studying and working in Japan or with Japanese companies.⁴⁸ In addition, despite the internationalisation policy, it is commented that Japanese universities are still far behind those in the US and Europe in terms of academic advancement,⁴⁹ which might not be attractive for Thai students.

45 Japan International Cooperation Agency (JICA), "South-South and Triangular Cooperation," https://www.jica.go.jp/thailand/english/office/others/c8h0vm00007nd0pg-att/brochure_08.pdf, accessed on 25 December 2021.

46 Ministry of Foreign Affairs of the Kingdom of Thailand, "Japan," <https://www.mfa.go.th/th/country/JP?page=5d5bc-b3915e39c3060006815&menu=5d5bd3c715e-39c306002a87f>, last modified 11 March 2020.

47 Ministry of Tourism and Sport, *The Strategic Plan 2012-2016*, 2012, <https://www.mots.go.th/download/pdf/strategyofmots55-59.pdf>; idem, *The Strategic Plan 2017-2021*, 2017, https://www.mots.go.th/download/article/article_20171201174031.pdf.

48 Kantei, "Policy speech by Prime Minister Shinzo Abe at the 186th session of the Diet, 2014," https://japan.kantei.go.jp/96_abe/statement/201401/24siseihousin_e.html; idem, "Policy speech by Prime Minister Shinzo Abe at the 196th session of the Diet," 2018, https://japan.kantei.go.jp/98_abe/statement/201801/_00002.html.

49 Robert Dujarric and Ayumi Takenaka, "Parochialism: Japan's failure to internationalize," In Jeff Kingston (ed.), *Critical Issues in Contemporary Japan*, London: Routledge, 2019: 260-74.

CONCLUSION

Recently, following the return of the US to Southeast Asia under the Biden administration and its counterbalance policy against China in the region, tensions and instability are significantly increasing. Against this background, what can Japan do to maintain the balance of power or stabilise regional security with its limited legal framework and military capacity? Moreover, given the geopolitical concerns posed by the great power competition, what kind of alternatives can Japan offer?

First, constructive engagement and preventive diplomacy, specifically frequent dialogue among parties, is essential so that views and concerns, as well as intentions of each party, can be shared and clarified. That may help reduce misunderstanding and conflict. In this regard, Japan and Thailand can play an active role in utilising the existing mechanism of ASEAN, such as the ASEAN Regional Forum (ARF), of which all parties are members, which would be an appropriate channel at this step, instead of creating a new one.⁵⁰



Frequent dialogue among parties, is essential (...) Japan and Thailand can play an active role in utilising the existing mechanism of ASEAN, such as the ASEAN Regional Forum (ARF), (...) instead of creating a new one.



50 The Head of Komeito which is the coalition party, has suggested that, like the Organization for Security and Economic Cooperation in Europe, Japan should take the lead in creating a permanent regional framework which includes the US, China, and other countries in Asia-Pacific region to promote dialogue and avoid conflict. "Komeito Chief calls for Japan to create Asian security framework", *The Japan Times*, 2 January 2022, <https://www.japantimes.co.jp/news/2022/01/02/national/politics-diplomacy/natsuo-yamaguchi-asian-security>.

Second, strengthening alliances, especially bilaterally with strategic partners such as the US, Australia, UK, etc., is another helpful tool for Japan's security and regional stability. However, the recent policy performance of 'too many and too frequent' engagements with these partners may lead to a security dilemma with China.⁵¹ Therefore, it would be more appropriate for Japan to play an active and constructive role through multilateral frameworks, both regional, such as Japan-Mekong Partnership, ASEAN Plus Summits and EAS, and international, such as Quadrilateral Security Dialogue (QUAD), G 7 and G 20.

Third, as a champion of trade liberalisation, Japan should take the lead in promoting and pursuing the advanced, comprehensive, and high standard trade agreements such as CPTPP and RCEP. That would assure member countries, including Southeast Asian countries, that the economic growth, free trade, and open market are shared goals.

Fourth, based on Japan's advanced knowledge and experience in development assistance and cooperation, particularly about infrastructure, loan aid, and debt management, Japan should play an active and creative role in designing or shaping the international standard of practices. Here, the goal is to assure the quality of infrastructure development projects as well as to guarantee positive impacts for the beneficiaries in recipient countries.

Regarding bilateral Japan-Thailand relations, with the Japanese government's recently promoted 'Build Back Better (BBB)' strategy to overcome the pandemic and move towards economic recovery, there are more opportunities for Japan and Thailand to deepen relations in several aspects; including economics, development cooperation, and socio-cultural exchanges. Particularly, promoting the Triangular Cooperation among Japan, Thailand, and the beneficiary country in the Mekong sub-region would be helpful not only for enhancing the regional development, but also for maintaining the donor relationship between Japan and Thailand⁵². This would preserve Japan's visibility in the region as a reliable and trustworthy partner.

51 Japan held and planned to hold two-plus-two talks with seven partners including the US, UK, Australia, France, Germany, Indonesia, and India, during 2021 and early 2022. "Japan, US ministers to hold 'two-plus-two' talks on Friday", *Reuters*, 5 January 2022, <https://www.reuters.com/world/japan-us-ministers-hold-two-plus-two-talks-friday-2022-01-05/>; "Japan and France to hold 'two-plus-two' security talks later this month", *The Japan Times*, 15 January 2022, <https://www.japantimes.co.jp/news/2022/01/15/national/politics-diplomacy/france-japan-two-plus-two/>; Ministry of Foreign Affairs of Japan, "Ninth Japan-Australia Foreign and Defense Ministerial Consultations (2+2)", 9 June 2021, https://www.mofa.go.jp/press/release/press6e_000297.html; Ministry of Foreign Affairs of Japan, "Fourth Japan-UK Foreign and Defense Ministers' Meeting (2+2)", 3 February 2021, https://www.mofa.go.jp/pree/release/press3e_000163.html; "Japan, Germany to hold 2-plus-2 Security Talks for First Time", *Nippon*, 5 April 2021, <https://www.nippon.com/en/news/yjj/2021040500769/>; "Japan and Indonesia to hold 2-plus-2 security talks on Mar. 30", *Nikkei*, 26 March 2021, <https://asia.nikkei.com/Politics/International-relations/Japan-and-Indonesia-to-hold-2-plus-2-security-talks-on-Mar-30>; "Japan and India to hold 2-plus-2 talks with eye on China", *Nikkei*, 10 April 2021, <https://asia.nikkei.com/Politics/International-relations/Indo-Pacific/Japan-and-India-to-hold-2-plus-2talks-with-eya-on-China>.

52 Jin Sato, "Triangular Cooperation in East Asia: Challenges and Opportunities for Japanese Official Development Assistance," *IDS Bulletin* 49/3 (2018), <https://doi.org/10.19088/1968-2018.151>.



Concluding Observation

**Strategic Outlook in
Southeast Asia:
Japan-EU Cooperation as
an Enabler for Successful
Hedging and Balancing in
Southeast Asia**

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Acknowledgement: I gratefully acknowledge the helpful comments and suggestions of Kei Koga and Kikyo Taguchi. I also greatly thank the Research Institute for Peace and Security (RIPS) and The Japan Foundation Center for Global Partnership (CGP) for their support of my research stay in Germany. Lastly, I wish to extend special thanks to Florian Feyerabend and Hang Pham for their insightful comments, generous support and warm encouragement in this research project.

INTRODUCTION

As the American unipolarity comes to a close in the 2000s,¹ the United States is now competing with China over ASEAN's support in Southeast Asia under an emerging bipolar structure. While the US "pivot to Asia" strategy cannot be realised, Beijing is extending its influence and exercising a lot of weight in the region. Amidst some Southeast Asian countries facing a growing Chinese threat, particularly over the South China Sea, most of the countries in the region heavily depend on Chinese economy. This ambivalence will be intensified along with US-China systemic rivalry over the coming years.

Unlike Europe and the United States, Southeast Asian countries – and also Japan, have an inextricable relationship with the Asian great power: the People's Republic of China. Amid declining US engagement in the region, the Southeast Asian countries face a security dilemma and constantly fear being 'abandoned'² when an emergency occurs. Since they cannot escape its geographic location and neighbourhood with China, Southeast Asia invariably needs to seek alternatives. If US influence in the region wanes and Europe and Japan were no longer engaged, the ASEAN countries would bandwagon with China. A lonely resistance is a no-win situation; thus, the geopolitical realities would be accepted.

1 Christopher Layne, "The Unipolar Illusion Revisited: The Coming End of the United States' Unipolar Moment," *International Security* 31/2 (Fall 2006): 7-41.

2 On fears of entrapment and abandonment, see Glenn H. Snyder, "The Security Dilemma in Alliance Politics," *World Politics* 36/4 (1984): 461-495.

China is not a threat on the whole, even if it poses a threat on a case-by-case basis such as the South China Sea. Compared to the West, Southeast Asia's perception of China differs in terms of politics, economics, and soft power. A survey on China's soft power in Southeast Asia conducted by Konrad-Adenauer-Stiftung found the following:³

- The Chinese Communist Party has regularly engaged with political parties and particularly with the ruling ones, and continuously invests in building and maintaining personal relationships with political elites in each country;
- China is the biggest trade partner, a significant business investor, and the number one source of foreign tourists for the Southeast Asian countries;
- There is much exchange at all levels, ranging from two-way visits of high-level officials, bureaucrats, business groups, student and academic exchanges to media training programmes. Besides bilateral engagement, China and Southeast Asia have a number of shared regional cooperative and consultative platforms, enabling their policy makers to have regular contact.

As such, the relationship between Southeast Asia and China is strong in all areas across the public, private, and academic sectors. These premises about PRC-SEA relations are the first things we must understand.

Against this background, what alternatives can the rules-based international order offer Southeast Asia and serve as a counter hedge vis-à-vis China in the region? And in an era of great power competition, what actions should Southeast Asian countries

3 See "China's Soft Power Projection in Mainland Southeast Asia: Engagement and Success," Konrad-Adenauer-Stiftung, forthcoming.

take to avoid crisis? By examining Japan's role in Southeast Asia in this report, we have ascertained implications on these queries. It also has policy implications for the EU, which aims to strengthen its relationship with ASEAN according to its "Indo-Pacific Strategy."

JAPAN'S SOUTHEAST ASIA POLICY: BILATERAL AND MULTILATERAL ECONOMIC COOPERATION

Japan has been developing a bilateral relationship with Southeast Asian countries, mainly in the economic domain. Japan has contributed to socio-economic development through ODA, foreign direct investment, trade, and technical cooperation; it has won trust in technology and gained popularity through its soft power. These bilateral relations in economy, technology, and soft power are discussed in detail in each chapter of this volume.

In addition, Japan has continued to commit itself to multilateral efforts, particularly in ASEAN, including participation in the ASEAN Plus Three and the East Asia Summit. Furthermore, Tokyo has been working on regional free trade frameworks such as the RCEP and the CPTPP. The regional geo-economic dynamics are shifting; whereas the United States, which has withdrawn from the TPP, is moving forward with plans to create a new Indo-Pacific economic framework,⁴ the United Kingdom has begun negotiations to join the CPTPP (China and

4 On Biden's Indo-Pacific economic framework, see Matthew P. Goodman and William Alan Reinsch, "Filling In the Indo-Pacific Economic Framework," CSIS, 26 January 2022, <https://www.csis.org/analysis/filling-indo-pacific-economic-framework>.

Taiwan, too).⁵ In its Indo-Pacific strategy, the EU emphasizes ‘cooperation with ASEAN’⁶ and the development of a ‘free and fair environment for trade and investment.’⁷ By participating in and supporting such regional economic frameworks, the EU can assume a geo-economic role to provide alternatives to China’s geo-economic challenges. Joining the CPTPP to pursue FTA with ASEAN could be worth considering.

In summary, Japan has strengthened its bilateral and multilateral relations with Southeast Asian countries, providing a hedging option against China’s growing influence. The EU can pursue both the rules-based international order and a counter-hedge against China by providing alternatives in Southeast Asia. It could do so through bilateral and multilateral economic cooperation, and committing to rule-making in the region. Japan may be the best partner for this initiative.

BILATERAL DEFENCE COOPERATION AND THE LIMITATION OF MULTILATERAL SECURITY COOPERATION

Based on the above-described economic bilateral relations, strategic relations and defence/security cooperation between Japan and Southeast Asian countries have recently been developed. At the geopolitical level, tensions between China and some ASEAN countries have risen in recent years, particularly in the South China Seas.

Figure 5. Territorial dispute between the Southeast Asian countries & China



Faced with the ongoing military threat and geostrategic shift, the Southeast Asian countries are developing a strategic partnership with Japan, strengthening bilateral defence cooperation. In this report, Cheunboran & Bong illustrate Japan’s strategic role for Cambodia. The strategic partnership signed in 2013 bore testimony to a deepening security cooperation of the two countries. Ziegenhain shows that Japan and Indonesia signed MOU to seek strategic partnership “underpinned by sea and democracy.” Misalucha-Willoughby and Palma point out, as the same US allies under their ‘hub-and-spoke’ system, strengthening Japan-Philippines bilateral relations serves as a counterbalance to China. As a strategic partner, Nguyen claims that accelerating

5 See Koki Shigenoi and David Merkle, “The Geo-economics of US-China Relations: What Does it Mean for ASEAN?” *Diplomatic Briefing* 4, forthcoming.”

6 “The EU strategy for cooperation in the Indo-Pacific,” 16 September 2021, 4-5.

7 Ibid., 2-3.

8 Eiji Furukawa, “Ukraine crisis highlights superpowers' quarrel over spheres of influence,” *Nikkei Asia*, 19 January 2022, <https://asia.nikkei.com/Spotlight/The-Big-Story/Ukraine-crisis-highlights-superpowers-quarrel-over-spheres-of-influence>.

Japan-Vietnam bilateral cooperation on defence and security offers a hedging option to Hanoi. Wajjwalku explains the current development of bilateral security cooperation between Japan and Thailand. Both countries upgraded their relations to a strategic partnership in 2013.

Japan promotes defence and security cooperation to counterbalance China bilaterally, and the 'rules-based international order-making' initiatives such as maritime capacity building and anti-piracy measures multilaterally.

However, not surprisingly, the Southeast Asian countries have different strategic interests and cannot converge to share a common ASEAN security agenda. In other words, a multilateral framework cannot function to promote security cooperation with ASEAN. We should promote defence cooperation bilaterally, instead of a multilateral setting. If ASEAN is required to make security commitments, it would undermine the 'ASEAN unity.' In this sense, ASEAN can be an effective indicator to measure the deal breaker that 'if it crosses this line, the whole of Southeast Asia will fall apart.'⁹ If a third party tries to resolve regional security issues with ASEAN, the areas of cooperation will be limited to non-traditional security, such as counter-terrorism, as described in the AOIP. This is because, as with the EU,¹⁰ strategic interests are highly divergent among member states.

9 Interviewed with Kei Koga, 24 January 2022.

10 Frédéric Grare and Manisha Reuter, "Moving closer: European views of the Indo-Pacific," European Council on Foreign Relations, 13 September 2021: 8-11, <https://ecfr.eu/wp-content/uploads/Moving-closer-European-views-of-the-Indo-Pacific.pdf>.



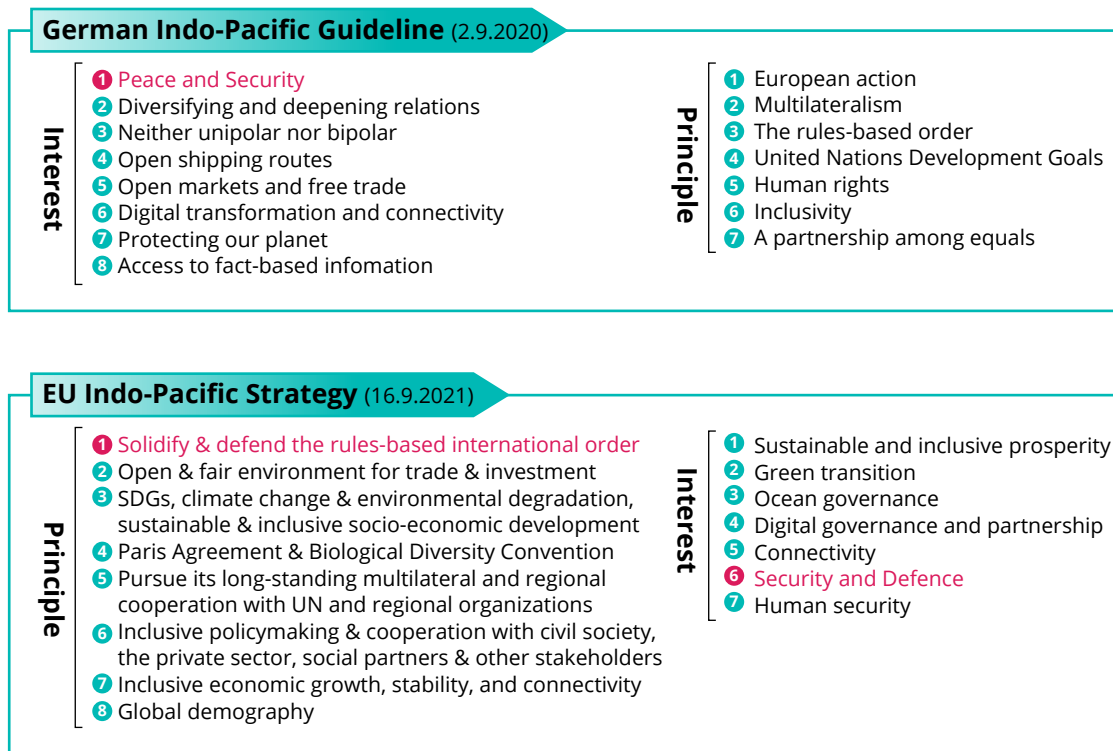
A multilateral framework cannot function to promote security cooperation with ASEAN. We should promote defence cooperation bilaterally, instead of a multilateral setting.



Consequently, ASEAN's consensus-based Indo-Pacific outlook does not include hard security and defence policy. ASEAN created the AOIP when Japan, the United States, Australia, and India as well as Europe shared the Indo-Pacific narrative; if ASEAN remains silent, their diplomatic presence will shrink, and fragmentation would increase over ASEAN.

In the AOIP, ASEAN emphasises 'inclusivity' instead of 'rivalry,' and stipulates its four focus areas, namely (1) maritime security, (2) connectivity, (3) SDGs, and (4) economy. This shares a common ground with Japan's FOIP which stipulates three pillars: (1) Promotion and establishment of the rule of law, freedom of navigation, free trade, etc., (2) Pursuit of economic prosperity (connectivity, economic partnership, and investment treaties), and (3) Commitment to peace and stability (capacity building on maritime law enforcement, HA/DR cooperation, etc.) as well as the EU and German Indo-Pacific strategy (see **Figure 3.2**). However, as Koga argues, some ASEAN countries have been concerned about China's reaction if they were to formally endorse Japan's FOIP vision.

Figure 6. EU and German Indo-Pacific principles and interests



HOW TO HARMONISE EU INDO-PACIFIC STRATEGY AND AOIP

The European Union, by contrast, is not a hard-liner against China like the US and AUKUS, and is not integrated into the regional security arrangements such as the Japan-US alliance and the Quad. Therefore, it is easy for ASEAN to partner with the EU. In its Indo-Pacific strategy, the EU also highlights the ‘inclusivity’ and desire to strengthen the relationship with ASEAN. However, the French, a ‘resident power’ in the Indo-Pacific region, counter Chinese military engagement in the region and might conflict with the European strategy’s ‘inclusivity approach’. Also, there are two different conflicting approaches of ‘inclusivity’ regarding China among the EU.¹¹ The military element of EU engagement makes its implementation complicated and is a limiting factor for the partnership with ASEAN.

¹¹ Ibid., 5.

‘Great power competition’ and ‘rules-based international order’ in the Indo-Pacific region overlapped with one another, but are essentially different mechanisms. Creating international order needs to involve many actors, and China should be included. Therefore, the EU should distinguish the ‘counter-China security aspect’ from its Indo-Pacific strategy, and make the military and defence element independent. In doing so, the EU Indo-Pacific engagement can focus on consolidating ‘rules-based international order’ and enable the convergence of its strategy and implementations with ASEAN’s AOIP and Japan’s FOIP by limiting the anti-China aspect.¹²

¹² See Koki Shigenoi and Kikyo Taguchi, “Beyond Indo-Pacific, Toward Great Power Competition: Recommendation for German Indo-Pacific Engagement Under the New Government,” Konrad-Adenauer-Stiftung, forthcoming.

WHY EUROPE SHOULD PARTNER WITH JAPAN IN ITS FOREIGN POLICY TOWARD SOUTHEAST ASIA

To implement the EU Indo-Pacific strategy and strengthen its partnership with ASEAN, Europe should cooperate with Japan for the following three reasons. First, as this report has shown, Japan has long-standing bilateral and multilateral relations with Southeast Asia. The Southeast Asian countries perceive Japan to be an alternative/hedging option to emerging China. As like-minded partners and G7 member states, the EU and Japan can maximise their effort to realise the free and open Indo-Pacific.

Second, Japan can play a bridging role between Europe and Southeast Asia. Although 'Asia' cannot be simplified, Japan and Southeast Asia share common ground in diplomatic style. Asian countries understand that Europe is proud of itself as a gold standard, but it is sometimes construed as a "condescending/patronising attitude." 'Building trust' is the most important element in Asian diplomatic culture.

During the Second World War, Japan controlled vast areas of Southeast Asia. "The Fukuda doctrine," as Koga, Misalucha-Willoughby and Palma, and Wajjwalk discussed in this volume, is Japan's foreign policy dogma toward Southeast Asia, as highlighted by then Prime Minister Takeo Fukuda's speeches during his diplomatic tour in Southeast Asia in 1977. In his speech, Fukuda pledged that Japan will reject the role of military power, will increase mutual confidence with trust, and cooperate with ASEAN as an 'equal partner.' The EU can learn from this practice.

Third, Japan has a strong connection and channel of communication with the United States and Europe from an ASEAN perspective. As an Asian middle power and strategic partner for ASEAN countries, Japan could be a mediator between Southeast Asia and Europe. Japan is incapable of going it alone, but Southeast Asia can utilise Japan as a stepping stone to lobby the international community.

CONCLUSION

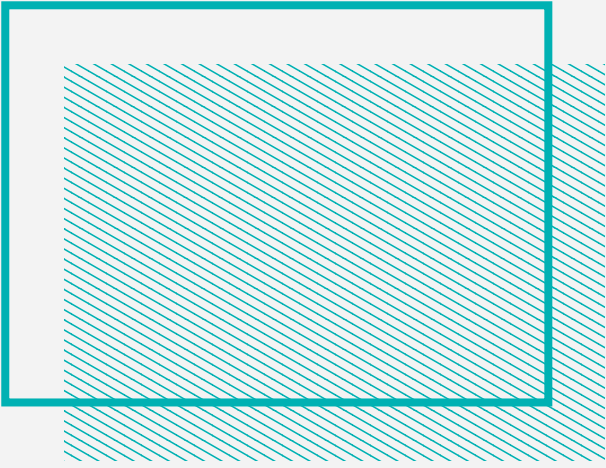
In parallel with China's rise, Japan has shifted its external security strategy from simple balancing to a complex form of hedging (balancing in security and hedging in economy).¹³ Although the Southeast Asian countries are also reinforcing their balancing policy vis-à-vis China in partnership with Japan and seeking economic alternatives, they maintain their relations with Beijing. In this regard, the EU needs to offer both a balancing and hedging option to the region. To create a rules-based order, Brussels, along with Tokyo, should cooperate in developing multilateral cooperation with Southeast Asia according to its strategy as well as FOIP and AOIP. The multilateral economic cooperation such as supporting – and joining – CPTPP and RCEP serve as an alternative to China in the region. Concerning security and defence, the EU and European powers,

particularly Germany and France, should promote bilateral cooperation with each Southeast Asian country. By separating and specialising bilateral security cooperation and multilateral initiatives for creating international order, the EU can accelerate the Indo-Pacific engagement and maximise its contribution to the region.¹⁴ It also makes it easy to partner with Southeast Asia.

To overcome a crisis caused by the Sino-American competition, a mixture of 'balancing and hedging' is needed for Southeast Asia. ASEAN should lead the creation of international order in the region with the EU and Japan in multilateral settings, and strengthen defence and deterrence with European partners and Japan to address the individual security issues. This would ensure 'ASEAN centrality' and 'strategic autonomy.' By doing this, Southeast Asia can further develop a win-win relationship with Brussels and Tokyo.

13 Ryo Sahashi, "Japan's strategic hedging under Trump," *East Asia Forum*, 6 June 2017, <https://www.eastasiaforum.org/2017/06/06/japans-strategic-hedging-under-trump/>.

14 See note 12 above.



Policy Recommendation to the EU and Germany

Analysing and evaluating Japan's role as an alternative to emerging China in Southeast Asia provides significant implications for European and German engagement towards the region. Therefore, we conclude the report with a few policy recommendations for Germany and Europe derived from observations in this study to encourage European engagement in Southeast Asia.



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INCREASE CONTINUOUS ENGAGEMENT TOGETHER WITH JAPAN

To avoid ASEAN becoming incorporated into the Chinese sphere of influence, the EU and Japan must continue and coordinate as well as pool their engagement. Managing Southeast Asian partners' fears of 'abandonment' and 'entrapment' is crucial to maintaining alignment. Since the American commitment towards the region is perceived as weak (ASEAN understands this point very well) and that China always commits strongly to the region is attractive, it requires continued European and Japanese alternative provision. Against the backdrop of weak American and strong Chinese engagement, both parties must play a role in buying some time until the US' re- and full engagement for the time being. The EU-Japan is not a perfect alternative, but may serve as a temporal one. Without this, the Southeast Asian countries would bandwagon with China if Japan's and Europe's engagement vanished while the US abandoned the region. To maintain the rules-based international order, Brussels and Tokyo must continue and strengthen their engagement in the region.

INITIATE TRILATERAL TRACK 2 DIPLOMACY

To strengthen EU-ASEAN relations, deepening understanding of the region is of great importance. To do so, continuous engagement and dialogue are needed to understand ASEAN's fear or dilemma, and in which area they want cooperation or assistance from Europe. By doing so, in the security domain, for instance, the EU can determine what kind of cooperation can reach a consensus or be a dealbreaker among ASEAN. Furthermore, continuous engagement enables the EU to identify

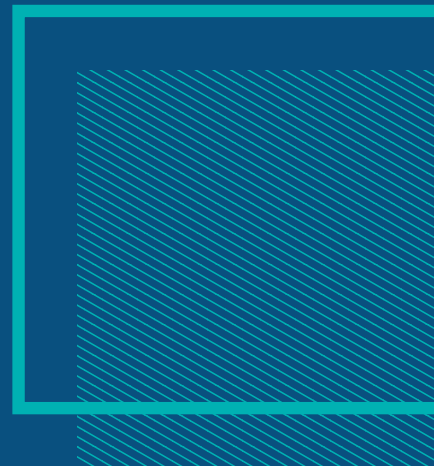
which area they seek support from EU. European academic institutions and think tanks are present in Southeast Asia and conduct many projects. Initially, by utilising these strong points, the EU should hold track 2 dialogue with ASEAN partners and provide feedback to the European Institutions and policy community. In the future, the EU could lead track 2 activities to develop into track 1.5 and track 1. Establishing Track 2 formats in an ASEAN-EU-Japan trilateral setting could be a good starting point.

DISTINGUISH BILATERAL/ MINILATERAL AND MULTILATERAL COOPERATION: SECURITY SHOULD BE BILATERAL OR MINILATERAL

It should promote security areas in which national interest conflicts within individual ASEAN members. Analyses in this report have shown that Japan has been working on security cooperation with the Southeast Asian counterparts bilaterally, engaging in non-traditional security domains such as maritime capacity building and anti-piracy initiatives with ASEAN in a multilateral setting. However, if a third party requires ASEAN's full commitment in security cooperation to counter China, it may consequently break the 'ASEAN unity.' Thus, the EU should distinguish between multilateral and bilateral/mini-lateral cooperation, and address the security issues in a bilateral or mini-lateral manner with each Southeast Asian state. Conversely, Brussels should pursue economic and trade engagement multilaterally, e.g., EU-ASEAN FTA and CPTPP. In doing so, the EU does not need to compromise. For instance, if the EU intends to emphasise the value of human rights in Myanmar, the countries that want to promote human rights, such as Singapore and Indonesia, can utilise the EU's value diplomacy in this regard.

Looking at individual countries, Southeast Asia is not unified. While the EU-ASEAN framework is essential, the EU should strengthen more bilateral relations such as EU-Cambodia and EU-Indonesia relationships. The field of bilateral cooperation can be anything at first; it will serve as an alternative to China. Through the EU bilateral engagement with Southeast Asia, ASEAN countries can also provide input to the EU, a learning experience for

the European side. ASEAN's expectations towards the EU as an alternative partner will increase once individual needs in the region are understood. Like Japan, the European stance towards China is not as hard-liner as that of the US, a factor that makes it easier for Southeast Asia to strengthen its partnership with Europe. The European engagement in Southeast Asia in line with the EU Indo-Pacific Strategy affords Europe a great opportunity.



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Japan's Role for Southeast Asia Amidst the Great Power Competition:
and its Implications for the EU-Japan Partnership

