

The International Relations of Japan and South East Asia

Forging a new regionalism

Sueo Sudo



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The International Relations of Japan and South East Asia

Japan's foreign relations have long been oriented toward harmonious relations with the United States. Since the end of the Cold War, however, Japan has shown instances of autonomous policy orientation. One revealing example is South East Asia. In fact, Japan's quiet, but steady, cultivation of a special relationship with the Association of South East Asian Nations (ASEAN) is one of the outstanding achievements of Japan's postwar diplomacy. This book explains how Tokyo has achieved that special position in the region by exploring the hitherto under-studied record of Japan–ASEAN relations.

The International Relations of Japan and South East Asia asks three main questions: How and when has a new South East Asian regionalism been set in motion? What is the nature of Japanese leadership and networking in maintaining and promoting that new regionalism? Given the current economic and political crisis, what will happen to South East Asian regionalism in the future?

Examining a number of case studies, including the pervasive financial crisis in East Asia, Suelo Suelo argues that despite the popular image of Japan's paralysis, the Japan–ASEAN nexus is most conducive to forging a new regionalism in South East Asia because the Fukuda Doctrine had enabled, indeed obliged Tokyo to pursue its proactive approach to the region. The advent of the ASEAN-Post-Ministerial Conference, supported by Japan's policy initiatives, is a case in point.

This is the most comprehensive account of the evolution of Japan–ASEAN relations in the post-Cold War period, and the only volume-length study in English. It gives a complete overview of Japanese foreign policy and Japan–South East Asian relations and is an invaluable resource for students and scholars of Japanese foreign policy, Asian studies, international relations and international political economy.

Suelo Suelo is Professor in the Faculty of Policy Studies at Nanzan University, Japan. His publications include *The Fukuda Doctrine and ASEAN* and *A Framework of South East Asian International Relations*.

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To Jui, Yasu, and Ken

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Abbreviations

ACT	ASEAN Committee in Tokyo
AEM	ASEAN Economic Ministers
AFTA	ASEAN Free Trade Area
AIC	ASEAN Industrial Complementation
AICO	ASEAN Industrial Cooperation
AIJV	ASEAN Industrial Joint Ventures
AIP	ASEAN Industrial Project
AJDF	ASEAN-Japan Development Fund
AJEC	ASEAN-Japan Economic Council
AMF	Asian Monetary Fund
APEC	Asia-Pacific Economic Cooperation
ARF	ASEAN Regional Forum
ASEAN	Association of South East Asian Nations
ASEAN-ISIS	ASEAN-Institutes for Strategic and International Studies
ASEM	Asia–Europe Meeting
BBC	Brand-to-Brand Complementation
CEPT	Common Effective Preferential Tariff
CSCAP	Council for Security Cooperation in the Asia Pacific
CSCE	Conference on the Security and Cooperation in Europe
EAEC	East Asian Economic Caucus
EAEG	East Asian Economic Group
EC	European Community
EMM	Economic Ministers' Meeting
EPA	Economic Planning Agency
EU	European Union
FMM	Foreign Ministers' Meeting
GATT	General Agreement on Tariffs and Trade
GSP	General Scheme of Preference
ICORC	International Conference on the Reconstruction of Cambodia
IMF	International Monetary Fund
JAF	Japan–ASEAN Forum
JICA	Japan International Cooperation Agency

LDP	Liberal Democratic Party
MAI	Multilateral Aid Initiative
MFA	Ministry of Foreign Affairs
MITI	Ministry of International Trade and Industry
NAFTA	North American Free Trade Agreement
NATO	North Atlantic Treaty Organization
NDPO	National Defense Program Outline
NIEs	Newly Industrializing Economies
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
OECF	Overseas Economic Cooperation Fund
OTCA	Overseas Technical Cooperation Agency
PECC	Pacific Economic Cooperation Conference
PKO	Peace-Keeping Operations
PMC	Post-Ministerial Conference
PTA	Preferential Trading Arrangements
SDF	Self-Defense Forces
SEATO	South East Asian Treaty Organization
SLORC	State Law and Order Restoration Council
SNC	Supreme National Council
SPDC	State Peace and Development Council
TAC	Treaty of Amity and Cooperation
UNTAC	United Nations Transitional Authority in Cambodia
WTO	World Trade Organization
ZOPFAN	Zone of Peace, Freedom, and Neutrality

Chronology of Japan–ASEAN relations

- August 1967 The Association of South East Asian Nations (ASEAN) formed with the five original members of Indonesia, Malaysia, the Philippines, Singapore, and Thailand.
- February 1974 The first Japan–ASEAN Rubber Forum held in Kuala Lumpur.
- June 1974 The first ASEAN-Japan Businessmen’s Meeting held in Tokyo.
- March 1977 Japan–ASEAN Forum formed, replacing the Rubber Forum.
- August 1977 Prime Minister Fukuda attended the second ASEAN Summit in Kuala Lumpur. At the last stop of his ASEAN tour, the Fukuda Doctrine was announced in Manila on August 18.
- June 1978 The first Japan–ASEAN Foreign Ministers’ Meeting held in Pattaya, Thailand.
- November 1978 The first ASEAN-Japan Economic Council (private) held in Bangkok.
- December 1978 The Cultural Fund initiated.
- July 1979 The first ASEAN-PMC held in Bali, Indonesia.
- November 1979 The first Japan–ASEAN Economic Ministers’ Meeting held in Tokyo.
- March 1980 Basic Agreement on ASEAN Industrial Project, supported by Japan’s pledge of \$1 billion.
- June 1980 ASEAN Youth Scholarship initiated.
- November 1980 Agreement on establishing the ASEAN Promotion Center on Trade, Investment and Tourism.
- January 1981 Prime Minister Suzuki visited the ASEAN region, proposing two programs of human resources development and regional study promotion.
- May 1981 The ASEAN Center opened in Tokyo.
- April 1983 Prime Minister Nakasone visited the ASEAN region, proposing three programs of twenty-first century youth

- exchange, plant renovation, and science and technology cooperation.
- December 1983 The first Ministerial Meeting on Science and Technology held in Tokyo.
- December 1987 Prime Minister Takeshita attended the third ASEAN Summit in Manila, proposing a comprehensive exchange program and a Japan–ASEAN fund.
- January 1988 Japan–ASEAN Investment Fund established.
- April–May 1989 Prime Minister Takeshita visited the ASEAN region. At the last stop of his ASEAN tour, the Takeshita Doctrine was announced on May 5.
- June 1990 The Tokyo Meeting on Cambodia held.
- April 1991 Prime Minister Kaifu visited the ASEAN region, proposing an international conference on Cambodia.
- July 1991 Foreign Minister Nakayama proposed a security forum based on the ASEAN-PMC.
- September 1992 Japan’s first PKO sent to Cambodia.
- October 1992 The first ASEAN Economic Ministers–Ministry of International Trade and Industry Meeting (AEM-MITI) held in Manila.
- January 1993 Prime Minister Miyazawa visited the ASEAN region, proposing a forum for comprehensive development of Cambodia.
- August 1994 Prime Minister Murayama visited the ASEAN region.
- February 1995 Japan hosted the first Forum for Comprehensive Development in Indochina.
- March 1996 The first ASEM held in Bangkok.
- June 1996 Japan hosted the first International Conference on Cambodia.
- January 1997 Prime Minister Hashimoto visited the ASEAN region. At the last stop of his ASEAN tour, the Hashimoto Doctrine was announced on January 14.
- September 1997 The Multilateral Cultural Mission set up. An Asian Monetary Fund proposed.
- December 1997 Prime Minister Hashimoto attended the informal ASEAN Summit with China and South Korea (the first ASEAN plus three) in Kuala Lumpur.
- May 1998 The first Japan–ASEAN Roundtable on Development held in Okinawa.
- October 1998 The New Miyazawa Plan announced.
- November 1998 The first AEM-MITI Economic and Industrial Cooperation Committee held in Bangkok.
- December 1998 Prime Minister Obuchi attended the Japan–ASEAN Summit and the second ASEAN plus three in Hanoi, proposing the Obuchi Initiative.

- November 1999 The third ASEAN plus three held in Manila, adopting the Joint Statement on East Asian Cooperation.
- January 2000 Prime Minister Obuchi visited Laos, Cambodia, and Thailand.



Map Japan and South East Asia

1 Introduction

Japanese foreign relations and South East Asia

Fundamental to the Japanese question is the future course of Japan's relations with Asia. That is, a key test of Japan's national purpose, its claims to be forging an internationalist foreign policy and a capacity for international leadership, will be the way it exerts its rapidly rising influence in Asia.

(Kenneth Pyle, 1992)¹

When Japan regained its independence in April 1952, Japan was desperately seeking its place in the international society, while also concentrating on economic development. By the 1970s, the result of three decades of hard work and economic diplomacy, based on the so-called Yoshida Doctrine, could be seen in Japan's industrial economy, second largest only to the United States. During the postwar period, the highest priority was given to its special relationship with Washington and, therefore, Japan's foreign relations have largely been a function of Japan-US relations.²

Within this traditional parameter, postwar Japanese foreign policy evolved with only a secondary emphasis on developing relations with South East Asia. Nonetheless, the sudden emergence of a communist giant and the divided Korean peninsula in Northeast Asia compelled Tokyo to turn to South East Asia for Japan's economic survival. By the end of the 1980s, the results of Japan's cultivation of closer relations with individual South East Asian countries as well as regional organizations were still to be assessed.

Changing Japanese foreign relations and South East Asia

In the long history of Japan-South East Asian relations, we can witness three basic orientations in Japanese foreign policy toward the region: first, Japanese policy toward South East Asia until the mid-1960s, with its emphasis on Japan's economic diplomacy; second, a policy shift from economic diplomacy to regional development in South East Asia; and third,

2 *Introduction*

a major change from involvement in South East Asia to relations with the Association of South East Asian Nations (ASEAN) in the mid-1970s.³

The first phase saw a rapid development of Japan's economy, with assistance from the United States. As postwar Japan's main architect, Prime Minister Shigeru Yoshida (1948–53) developed a political philosophy that was in a sense unique, in that it sprang from one who saw international relations from the viewpoint of a businessman. Because of this philosophy, all factors, domestic and international, were linked to economic development. But, at the same time, costly policies of rapid rearmament and involvement in international and regional political problems were avoided. Hence the formulation of the "Yoshida Doctrine," which in its broadest outline contains major objectives of light armament, economic prosperity through export as the highest national goal, and non-involvement in local conflicts. This so-called economic diplomacy was put into effect when Yoshida referred to South East Asia for the first time in his policy speech of November 1952.

The foreign policy of Prime Minister Nobusuke Kishi (1955–60) had three characteristics: it was strongly anti-communist, it sought an economic style of diplomacy, and it emphasized an independent course in Japan's diplomacy. As a corollary of these policy priorities, Japan under the Kishi administration became deeply involved in South East Asia. For instance, in 1957 Kishi was the first Japanese Prime Minister to visit the South East Asian countries, during which he proposed a "South East Asian Development Fund." The visit of a top Japanese leader to the region indicates that by this time the rationale of Japan's foreign policy and re-entry into South East Asian affairs had become apparent.

As the initial policy taken up by the Japanese government, the reparations settlement became a catalyst for Japan's economic intrusion into the region. All in all, a total of \$1,152 million in damages and \$737 million in loans were disbursed to South East Asian recipients. It is well known, however, that the reparations benefited Japan more than they did the recipient nations, for the bulk of the reparation payment was dominated by commodity and service grants, and therefore Japan could develop markets for its exports. Similarly, to those who had abandoned the right to demand reparations, Japan agreed to pay quasi-reparations in the form of non-repayable economic and technical cooperation or special yen payments. It is more than apparent that reparations and quasi-reparations – paid in capital goods, services, and equipment over a twenty year period – helped Japan increase its exports and production, especially since South East Asian countries were dependent on them for their industrialization.

By the time that Prime Minister Hayato Ikeda (1960–64) came to power, Japan was well on its way to attaining the status of a developed country. Without doubt, Ikeda's plan for "doubling Japanese income" was directly linked to the promotion of Japan's exports, assisted by the massive inflow of Japanese loans and credits into the economy of developing countries,

thereby invigorating economic diplomacy by the powerful Ministry of International Trade and Industry (MITI). Such actions, however, were taken as an “aggressive” economic drive by many trade partners, and hence, the derisory reference to Japan as an “economic animal.” It is interesting to note that although Ikeda’s foremost interest was to develop the domestic economy, as shown by his “Income-doubling Plan,” later trips to Europe as well as South East Asia made him aware of growing expectations that Japan would assume an international role.

The second phase was characterized by changing regional politics, largely caused by the intensifying Vietnam War. Given the increasing economic power thereby bestowed on Japan, Prime Minister Eisaku Sato (1964–71), a younger brother of Kishi, tried to alter Japan’s low-profile “economic” diplomacy into an “induced” positive one, although the underlying economic rationale remained intact. However, the highest diplomatic priority for the Sato administration was the reversion of Okinawa⁴ and, toward this end, Sato needed America’s amicable support. So, what followed was that the Japanese government put more emphasis on peace and political stability, by way of accelerating the economic development of Asian nations.

It is important to note that at this critical juncture American policy toward South East Asia entered a new stage, namely the assumption of a dominant role in directly protecting South Vietnam against communist expansion. The Japanese government, which endorsed President Johnson’s plan for South East Asian development in April 1965, decided as a member of the Western alliance to share the economic burden, thereby pouring huge capital into the region, and initiating regional development plans and projects. Toward this goal, in 1967 Prime Minister Sato visited most of the South East Asian nations, including South Vietnam. During the trips he stressed the following three aims: the promotion of friendly relations with other Asian countries; the exploration of ways and means to retain and maintain peace and stability in Asia; and the strengthening of socio-economic cooperation. As a corollary, Japan’s foreign policy in the region began to reflect more clearly Washington’s South East Asian policy. This induced activism in Japanese foreign policy continued until the American defeat in Vietnam in 1975, although the 1969 Nixon Doctrine foresaw such an eventuality and subsequently returned Okinawa in 1972.

The third phase started with the end of the Vietnam War and, as a result of a reappraisal of its foreign policy, Japan sought for an independent policy, beginning with the Fukuda Doctrine of 1977. In fact, unlike the conventional interpretation with its exclusive emphasis on Japan–US relations in Japanese foreign relations, the Fukuda Doctrine brought home the fact that Japan could initiate an “autonomous” foreign policy in South East Asia. After 1977 it was evident that ASEAN enjoyed a special status in Japanese foreign policy. The regularity of prime ministerial visits helped maintain this favored status. Subsequently, centered on a policy of “Support

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ASEAN,” Japan’s South East Asian policy during the third phase entered a new stage. It is a stage whereby Japan’s South East Asian policy has increasingly become synchronized with ASEAN’s quest for regional stability and peace.

In the midst of systemic changes in South East Asia during the 1980s, six ASEAN countries (Brunei, Indonesia, Malaysia, the Philippines, Singapore, and Thailand) successfully took on a greater centripetal role in the region. In fact, ASEAN utilized one typical network mechanism, called the Post-Ministerial Conference (PMC) – formalized in 1979 as a result of the first Japan–ASEAN foreign ministers’ meeting of the previous year – to maintain stability in the region and to promote regional development through the creation of dialogue partners. Most importantly, ASEAN successfully played a leading role in resolving the thirteen-year Cambodian conflict (1978–91), through which ASEAN’s collective leadership came to be highly regarded. The so-called “ASEAN way” thus exhibited a unique blend of a “new regionalism” because of its time-tested principles of “consultation” and “consensus.”⁵

To activate regional interactions at the onset of the post-Cold War period, ASEAN convened the fourth Summit in Singapore in January 1992 and subsequently reached three agreements, which led to greater stability in the region until 1997. The first was the adoption in November 1992 of an ASEAN Free Trade Area (AFTA), by which ASEAN agreed to liberalize and stimulate its intra-regional trade. The second agreement concerned the newly created Security Forum. The ASEAN countries initiated the establishment of the ASEAN Regional Forum (ARF) in July 1993, which led to the first meeting of ARF in Bangkok in July 1994. The third agreement related to the East Asian Economic Caucus (EAEC) proposed by Malaysian Prime Minister Mahathir. ASEAN agreed to pursue EAEC as a regional policy to achieve a greater voice in regional and international forums.

However, the thirtieth anniversary of the ASEAN in 1997 was accompanied by a financial crisis, the scope of which the region had never before experienced. Accordingly, the success of the “ASEAN way” has come to be re-examined in order to meet the challenges of the new international order in the aftermath of the Cold War, as succinctly depicted in the following observation:

Stability, reliability and predictability have made the region one of the most attractive investment areas in the world for the past two decades. However, the 1997 currency crisis demonstrates that the promotion of national and regional resilience and trust-building consultation processes are no longer sufficient to match present and future global developments, even if traditional strategies proved to be successful for many years.⁶

If this observation is correct, is ASEAN becoming divisive and obsolete? This book argues that as long as ASEAN keeps its multilateral networks and mechanisms – in other words, takes a “building-block approach” to multilateral cooperation based on the ASEAN’s past success – it could still play a central role in the region, provided that some organizational reforms are carried out. And, in order to achieve this, Japan’s role will be critical. At the beginning of the twenty-first century, the call for Japan’s greater role in the region seems to be growing, especially given the limitations of the ASEAN way and the declining US presence in Asia.

Japan’s policy initiatives toward South East Asia

In the course of ASEAN’s vigorous unification and multilateral attempts in South East Asia, Japan has been called upon to play a greater role in the region – a new role that requires going beyond the principles of the 1977 Fukuda Doctrine.⁷ As such, several issues and tasks are emerging that would require major efforts on the part of both the Japanese people and the government if Tokyo is serious about taking constructive action toward strengthening a new regionalism. Since these issues are analyzed in the following chapters, a brief overview is in order here.

First, the consolidation of Japan–ASEAN relations could be one of the outstanding achievements of postwar Japanese diplomacy. In fact, the striking feature of Japan–South East Asian relations is the almost *de rigueur* visit to the ASEAN region by Japanese prime ministers. Most importantly, the Japanese government has taken careful consideration of the critical phase of Japan–ASEAN relations by announcing three major doctrines. The first was the Fukuda Doctrine of 1977. Then, ten years later, former Prime Minister Takeshita attended the third ASEAN Summit in December 1987, in which his policy speech later culminated in the Takeshita Doctrine of 1989. Finally, in the early 1990s there were strong similarities with the region’s political environment during the post-Vietnam War period of the mid-1970s, when Tokyo proposed in the first doctrine that Japan play an active role in the region. This gave rise to high expectations for Japan’s new commitments and the third doctrine announced by former Prime Minister Hashimoto in January 1997 augured well for the further consolidation of Japan–ASEAN relations.

Second, in the realm of economic relations with the countries of South East Asia, Japan’s triad policy of aid, trade, and investment was successful until the late 1980s. In fact, it was so successful that Japan then faced a critical problem of trade imbalance. More importantly, a rapidly growing China is likely to generate centripetal and centrifugal economic forces that will render some critical adjustments in Japan–South East Asian economic relations, thereby necessitating a new economic role for Japan in the region. For the time being, it is critical that Japan’s positive multilateral role be

used to resolve the economic turmoil generated by the July 1997 financial crisis in Thailand.

Third, in the aftermath of the Tokyo meeting on Cambodia held in June 1990, Tokyo became engaged in three major policy activities. The first policy was implemented in June 1992, when Tokyo held an international conference on the reconstruction of Cambodia (ICORC), during which 15 countries and international organizations agreed to contribute \$880 million to war-torn Cambodia and to establish an international committee in order to coordinate efforts for the reconstruction of Cambodia. The second policy was somewhat harder to put into practice because of the nature of its security requirements. Yet, on June 15, 1992, after a third attempt by the ruling Liberal Democratic Party (LDP) to get approval, the action finally succeeded. Four months later, Japanese Self-Defense Forces (SDF) officials were dispatched to Cambodia to assist in the UN peace process – the first time Japan had participated since the end of World War II. Despite the loss of two individuals and associated public pressure to withdraw early from Cambodia, Japan's mission was fulfilled in September 1993, with rather favorable results. And then, third, following a proposal by former Foreign Minister Nakayama to utilize the PMC as a security forum, the Japanese government decided to pursue its policy of multilateral security cooperation as a member of ARF. However, it remains to be seen whether or not Japan should strengthen its multilateral security role in the region by adjusting traditional bilateral arrangements with the United States.

Together with the many changes taking place in regional as well as international affairs, Japan faces a critical transition in its domestic politics. The so-called “1955 system” of the LDP came to an end in 1993, after almost 38 years of single party rule. With the economic downfall in the mid-1990s, furthermore, Japan is trapped in a deep sense of stagnation and vulnerability. How Japan handles this transition will have a direct bearing on its foreign relations. As one observer cogently put it: “The choices that Japanese leaders make during the next five or so years will determine Japan's international outlook well into the twenty-first century. This current period is in many ways analogous to the historical era of 1947–1955, when Japan's security and economic policy directions were charted and the institutional foundations for these policies were laid.”⁸

Therefore, given these major changes in Japan and South East Asia, it is imperative that both Japan and ASEAN coordinate their policies more effectively and intimately in order to achieve a soft landing, while at the same time strengthening regionalism in South East Asia and East Asia. Suffice it to say, this opportunity should not be wasted. The need for Japan to consider ASEAN more seriously as an invaluable partner has never been felt so strongly as in today's Japan.⁹

Analytical focus of this study

To understand what is going on in the region, or more precisely, to explain joint efforts by Japan and ASEAN toward a “new regionalism” in South East Asia and East Asia, which is the focus of this book, we need to clarify and refine some of the important terms to be used throughout this study.

A new regionalism

One of the most important changes in the study of international relations in the post-Cold War period is the reappraisal of regionalism. Suggesting the novel aspects of its resurgence, many scholars have come up with the term “new regionalism.” For instance, in one of the pioneering works on the new regionalism, Norman Palmer asserted: “the new regionalism is more than just a revival of the old, and it is becoming a significant new factor in international relations.”¹⁰ Then what is this new regionalism? Surveying the literature, Andrew Hurrell has identified four characteristics: (1) the emergence of North and South regionalism, (2) a wide variation in the level of institutionalization, (3) its multidimensional character, and (4) a marked increase in regional awareness or regional consciousness.¹¹ In a similar vein, Hadi Soesastro explained: “One important characteristic of this new regionalism, which is clearly spelled out in the politico-security realm, is the principle of inclusiveness, namely the inclusion of the very sources of uncertainty themselves in the regional arrangement concerned.”¹²

Theoretically, the resurgence of regionalism has had a major impact as well. After a sharp decline in both theory and practice during the 1970s, the study of regionalism was revived in the 1980s, and gained strength during the post-Cold War period of the 1990s. In other words, regionalism is still emerging as an important aspect of globalization. For instance, Hettne, Inotai, and Sunkel and James Mittelman emphasize the crucial linkages between the advent of a new regionalism and the globalization process. In a way, they claim, the new regionalism is taking place as a response and challenge to globalization.¹³

Given the existence of a multi-layered regionalism in South East Asia and considering this survey of the literature, the term “new regionalism” would best be defined as having three traits: (1) North–South regionalism; (2) multiple regionalism; and (3) open regionalism.¹⁴ In other words, the new regionalism in South East Asia is premised on the “North–South” regionalism, in terms of diversified membership from the ranks of both developed and developing countries; it is “multiple” in that member countries belong to different regional groupings and organizations; and it is “open” in the sense of member countries’ continuing participation in the international trading system.

In this book, the background factors of the new regionalism are explored by closely investigating Japan–South East Asian relations. Particularly, given the lack of analytical study on the new regionalism in South East Asia, we evaluate how this new regionalism arose and what its impact might be. With the intent of filling the analytical gap, we also suggest some important elements to compare variations of the new regionalism in different areas.

Political leadership and networking

To understand who is taking the policy initiatives toward a new regionalism in South East Asia, we need to focus on “political leadership” and “networking.” In this book, however, we use “political leadership” and “networking” interchangeably, to refer to a way of bringing about enhanced regional cooperation between states. According to Oral Young, there are three types of political leadership: (1) structural leadership, that is, the ability to use superior material resources to compel and induce other countries to cooperate; (2) entrepreneurial leadership, which involves diplomatic initiatives, negotiating skills, and brokerages; and (3) intellectual leadership, which relies on the power of ideas to shape the way in which participants think about options available in order to come to terms with these issues.¹⁵

If there are two types of leadership in hegemonic and more pluralized forms, as David Rapkin argued, the former is what Young characterized as structural leadership, and entrepreneurial and intellectual leaderships comprise the latter form. This leads us to the fact that, in the absence of structural leadership by a hegemon, pluralization of leadership may come to the fore in the post-Cold War period.¹⁶ Thus, following the latter form, we focus on two main components of leadership: the supply of a coherent set of ideas and the provision of resources.¹⁷

In a similar vein, “networks,” or “networking,” are also effective policy instruments to bring about a new regionalism. According to Higgott, a policy network can be defined as “a set of interactions and relationships determined and legitimated by mutual recognition,” which is “constituted by its membership (public or private corporate and individual actors having both formal and informal relationships) and the linkages (formal and informal channels of communication) that structure interaction (the exchange of relevant policy resources such as information, expertise and trust) between them.”¹⁸ This network dimension suggests that South East Asian regionalism will only be further strengthened because states are likely to operate as network structures.¹⁹

So far, the definition of these terms leads us to ponder another research question. Since the development of a new regionalism is dependent on the ability of policy entrepreneurs to act as mediators for other states and the issues and policies they espouse, it is necessary for Japanese entrepreneurs to both react sensitively to the demands and desires of other

states and simultaneously push their own policies and compromise solutions.²⁰ The question is, can Japan render such a leadership role?

The leadership issue in Japanese foreign policy

In terms of the leadership issue in Japanese foreign policy, there are many contending interpretations. One typical view is that Japan has “no” foreign policy, due to the fact that the postwar constitution and Japan’s special relationship with the United States prevented Japanese leaders from shaping any “normal” policy. Another typically held view is that Japan is bound to dominate the world because of its long-lived neo-mercantilist orientation.²¹ Of course, these two theses are very simplified descriptions of Japanese foreign policy, and most of the relevant arguments lie somewhere in between the two extremes.

Indeed, the above stereotypical viewpoints have been diffused by two major events, namely, the 1990 Persian Gulf crisis and the August 1993 collapse of the so-called “1955 political system,” which have compelled political leaders in Japan to reappraise the consensus of Japanese foreign policy. Subsequently, the rigid division of Japanese leadership, as contested by the ruling LDP conservatives and the Socialists under the “1955 system,” disappeared. Following elections in July 1993, a seven-party coalition government was formed with Morihiro Hosokawa of the Japan New Party as prime minister. However, the broad coalition made it extremely difficult to reach any major agreement on foreign policy. For instance, Ichiro Ozawa, former power broker in the LDP and leader of the Japan Renewal Party, advocated a policy of transforming Japan into a “normal state” in matters of defense and foreign policy – a policy that was unacceptable to the left wing of the coalition. In a similar vein, Tomiichi Murayama became prime minister in June 1994 based on a Socialist-LDP coalition. Then, in January 1996 the LDP made a comeback, appointing as prime minister Ryutaro Hashimoto, who was regarded as a nationalist in foreign policy issues. As a result of this political change, the question of Japanese leadership also shifted, from whether or not Japan should play a greater international role to exactly what kind of role Japan should take.

For the purposes of this discussion, let us highlight three current main schools of thought concerning the nature of Japan’s leadership. The first stresses that due to the complex bureaucratic factor and an excessive dependence on the United States as well as the fragmented character of state authority, Japan never intended nor has been required to demonstrate its leadership so far. As one scholar cogently puts it: “In many respects, the Yoshida Doctrine is as alive as ever. There appears to be no end to Japan’s trade surpluses with the rest of the West, nor to Japan’s fundamental reluctance to play any international role except successful merchant.”²² This school would therefore see Japan’s South East Asian policy as “business-as-usual.”

In direct opposition to the first, the second school emphasizes that Japan is bent on dominating Asia through careful planning of its foreign policy. As one of the strong proponents argues: “When it comes to Japan’s movement towards a new Greater East Asia Co-Prosperity Sphere, I believe that Japan may know exactly what it is doing, that its bureaucrats are quite capable of guiding the nation in this direction, and that its seeming indecision merely reflects a delicate sense of timing and excellent camouflage for its long-range intentions.”²³

The third school, which has been expounded by the political scientist, Alan Rix, underscores the unique nature of Japanese leadership, which is rather entrepreneurial in nature and tends to lead from behind. As he explains: “It is a style of leadership that aims at creating long-term Japanese influence in the region, and has been a successful form of long-standing ‘entrepreneurial’ leadership that has carved out a regional role for Japan as investor, trader, aid donor and political actor.”²⁴

These contrasting perceptions of Japanese leadership invariably lead us to ponder whether Japan actually has been demonstrating any leadership at all in Japan–South East Asian relations and if so, what kind? In order to determine which interpretation of Japanese leadership is more relevant for the late 1990s and beyond, we conduct several case studies. We examine especially how Japan displays the two components of leadership: the supply of a coherent set of ideas and the provision of resources. Given the rapidly changing nature of South East Asian international relations and the critical issue of Japanese leadership, this book therefore examines the changing nature of Japan–South East Asia relations in the late 1990s in order to understand how Japan intends to develop its leadership role in South East Asia for the twenty-first century.

Organization

Although the consolidation of a Japan–South East Asian partnership has been relatively gradual, the profound changes that have occurred in the region during the post-Cold War era are undeniable. Suffice it to say, we need to examine the past at this critical juncture in order to predict a future direction for Japan–South East Asian relations, and a new viable regional order in East Asia. This book explores three questions: (1) how and when has a new South East Asian regionalism been set in motion? (2) what is the nature of Japanese leadership and networking in maintaining and promoting a new regionalism? and, (3) given the current economic and political crisis, whither a new regionalism in South East Asia?

Therefore, in the following chapter, the historical evolution of South East Asian regionalism is traced with special emphasis on the new regionalism, while outlining the sources of change in the relationship between Japan and South East Asia (Chapter 2). In the next three chapters, Japan’s

policy and strategy to nurture a new regionalism in South East Asia is examined. First, Japan's success in forging a regional policy by explicating the advent of institutional networking between Japan and ASEAN is considered (Chapter 3). Second, Japan's official economic assistance policy toward South East Asia is analyzed as a unique approach to bridge both individual state-building and regional cohesion (Chapter 4); and third, Japan's politico-security role in the region is explored (Chapter 5). Then, the nature of Japanese leadership is examined in order to determine if Japan's growing regional role will actually be forthcoming in East Asia (Chapter 6). Finally, the last chapter summarizes this study and discusses possible directions for further scrutiny.

Given the changing nature of South East Asian international relations and the new forces underpinning Japan's South East Asian policy, this book traces the unique development of Japan–South East Asia relations in the post-Cold War era, with special emphasis on Japan's politico-economic networking. In so doing, the prospects and problems of a new regionalism in the region emerge as well.

2 The nurturing of a new regionalism in South East Asia

ASEAN-PMC and Japan

The crisis has expanded, in Indonesia most starkly, the need for ASEAN countries to undergo changes in the way they conduct certain of their affairs if they are to cope with the reality of globalization. The old ways of doing things, no matter how well they seem to have served ASEAN in the past, will no longer do.

(Rodolfo Severino, ASEAN Secretary-General, 1999)¹

The Cold War in South East Asia was not only a confrontation among big powers, but also a struggle among South East Asians themselves. Vietnam's occupation of Cambodia (December 1978–September 1989), especially, marked a critical episode in the history of South East Asia during which the three Indochinese states and the six South East Asian states of the Association of South East Asian Nations (ASEAN) polarized, thereby constituting a source of instability that lasted for more than a decade. However, the conflict was viewed as a challenge to the latter six states, and one that could not be ignored. In part, this was because of the Treaty of Amity and Cooperation in South East Asia, ratified in February 1976, which laid the basis for a regional order of peaceful coexistence. As a sub-regional organization, ASEAN had come to strengthen its collective will in order to resist diplomatically Hanoi's intention of undermining the rationale of the only such entity in Asia. For by then, ASEAN had established certain rules and norms in the conduct of its external relations and among member countries. Concomitantly, by tying the hands of the Vietnamese, the ASEAN states could use the Cambodian conflict as an interlude within which to accelerate their own economic development, based on an export-oriented industrialization.

Although the dawn of the post-Cold War era, as a result of the 1989 Malta Summit, has seen the reduction of tension in the Asia-Pacific region – leading ultimately to a realignment of Cold War forces, such as Sino-Soviet, Sino-Vietnamese, and US-Vietnamese – it was ASEAN's diplomatic efforts that led to a political settlement in September 1991 of the thirteen-year-old Cambodian conflict and, in turn, diffused the polarization of the

region. As a result, the so-called “ASEAN way” came to be regarded as a unique diplomatic approach to regional conflicts.

Moreover, the termination of the Cambodian conflict prompted ASEAN to embark on an effort to build constructive relations with former adversaries and seek a new direction for itself. In so doing, ASEAN began to broaden the horizon of regional cooperation traditionally framed by economic nationalism and bilateral foreign policies. Until 1997, this had been accomplished with great finesse. Given the changing nature of South East Asian international relations – caused mainly by the 1997 financial crisis – this chapter traces the unique development of a new regionalism, and then analyzes whether or not this “ASEAN way” is viable enough to promote a renewed South East Asian regionalism.

Origins of a new regionalism

Until very recently, South East Asia was characterized by its bipolarity, predicated on interactions among the three great powers – the United States, the former Soviet Union (Russia), and China (PRC). In other words, the old regional order was delimited by two Cold Wars: the East–West and the East–East (Sino–Russia) rivalries. During the Cold War era, the goal of American policy toward South East Asia had been to maintain a balance of power in the region by bilaterally extending explicit support for Thailand and the Philippines while containing China and Vietnam. In addition, the region had a strategic significance for Washington: its location served as a link between the Pacific and Indian oceans and US bases in the Philippines formed the keystone of American defense policy in the Asia-Pacific region.²

Thus, when the first Indochina War (1946–54) broke out between France and Vietnam, Washington intervened on behalf of France, albeit in a limited way. The defeat of France at Dien Bien Phu came as a shock to Washington, which felt compelled to create the South East Asian Treaty Organization (SEATO) in 1954. Although only Thailand and the Philippines joined SEATO, a rigid American containment policy left little room for South East Asian countries to maneuver their own *raison d'être*, except for Sukarno’s Indonesia and isolated Burma (Myanmar) which organized the first Asia–Africa conference in 1955, better known as the Bandung Conference. Thus, a polarization of South East Asia along the lines of the East–West rivalry was firmly established, continuing even after the outbreak of the Indochina War between the United States and Vietnam in 1965.

During the second Indochina War (1965–75), a policy of bilateralism was maintained, although indigenous regionalism emerged in the form of ASEAN in 1967. In fact, since the immediate task for ASEAN was the development of a basis for mutual trust among member states, the Bangkok Declaration did not specify a mechanism for formal dealings with the external powers. As such, this earlier sub-regional organization was inward

looking and did not produce any tangible results until the first ASEAN Summit in 1976, with the exception of an agreement in November 1971 to pursue a Zone of Peace, Freedom, and Neutrality (ZOPFAN). The fact that all member states but Indonesia had foreign bases and supported American aims in Vietnam clearly indicated the nature and limits of the Association. Economically, both ASEAN and non-ASEAN states alike relied upon their patron's assistance and market for their products, in effect strengthening polarization of the region as well as bilateralism in their foreign policies.

In the mid-1970s, however, as ASEAN countries became more confident in their dealings with each other and as they began to experience rapid economic growth, their attention turned more toward the external environment. Convening the first and second summit meetings in 1976 and 1977 respectively, the ASEAN countries had recognized the importance of cultivating their external relations for the first time.

A significant asset of ASEAN could arguably be its scheme of dialogue partnership. In promoting dialogue relations, ASEAN adopted four guidelines in the 1976 Declaration of Concord and the Treaty of Amity and Cooperation. They consist: first, cooperation with ASEAN as a group should not be at the expense of existing bilateral arrangements; second, cooperation should serve to complement ASEAN's capabilities and not to supplant them; third, cooperation should be for projects conceived by ASEAN which are of a regional character and for the benefit of all ASEAN countries; and fourth, cooperation should be unconditional.³

Equally important, ASEAN has met every year with all its dialogue partners, following the annual Foreign Ministers' Meeting which has been held since 1979. In explicating why this unique style of consultation with external powers began taking place, we need to understand what happened when the then Foreign Minister Sunao Sonoda initiated the Japan-ASEAN Foreign Ministers' Meeting in June 1978. During the meeting, Sonoda promised to "take into account the concern of ASEAN countries, at the forthcoming Summit Meeting of Industrialized Nations in Bonn in July 1978," while reaffirming Japan's promises made by Prime Minister Fukuda just a year before.⁴

Moreover, given the deterioration of regional problems, Sonoda suggested to the ASEAN leaders that it would be necessary to expand the Foreign Ministers' Meeting by inviting external powers such as the United States, Australia, and New Zealand. Especially noteworthy is that Sonoda asked the US Secretary of State, Vance, to meet with ASEAN foreign ministers in April 1978 in order to express jointly their strong support for ASEAN.⁵ It was thus quite significant that the Post-Ministerial Conference (PMC) – the new template for security cooperation – was inaugurated in July 1979. Attended by the chief diplomats of Japan, the United States, Australia, New Zealand, and the European Community, ASEAN could demonstrate that ASEAN states were not alone and that they were valued

by influential states. In particular, “ASEAN members were glad to see the United States accept their invitation and so restore some sort of strategic balance in the region.”⁶ Since then, once a year, almost all the major world powers have met with their South East Asian counterparts to discuss various issues and problems, ranging from economic to social and political matters of mutual concern. Although their agreements have no binding power, the fact that such a discussion even takes place is itself of great importance.

On the other hand, the Cambodian conflict, initiated by Vietnam’s invasion of Cambodia in December 1978, threatened the security of ASEAN countries for several reasons. First, the Vietnamese action presented a serious challenge to the regional order ASEAN had earlier envisaged. To ASEAN, Vietnam was violating the hallowed principle of non-interference that was the core of the 1976 Treaty of Amity and Cooperation (TAC). Second, Vietnam had come to be perceived by the frontline state of Thailand as a security threat. Third, ASEAN deemed the Vietnamese occupation of Cambodia as undermining its policy of making the region free from great-power rivalry. Thus, the third Indochina conflict was a source of contention between the ASEAN countries and Vietnam, thereby reinforcing the polarization of the region.

Under these difficult circumstances, ASEAN emerged united and a power to be reckoned with. Especially during the third Indochina conflict period, the ASEAN region developed a *modus operandi* among its member countries in three respects. First, as a sub-regional organization, the countries of ASEAN developed a rule of consensus in that individual initiatives were subjected to collective agreement as a means of strengthening ASEAN’s regional resilience. Second, while ASEAN’s security perspectives were not identical – for instance, between the countries of Singapore, Thailand, and the Philippines, who stressed reliance upon a US military presence in the region, and the countries of Malaysia and Indonesia, who advocated a policy of neutrality – they came to accept ZOPFAN as a long-term supreme goal of the organization. Third, under TAC was the basis for a regional order which included mutual respect for the independence, sovereignty, equality, territorial integrity, and national identity of all nations; the right of states to be free from external interference; pacific settlement of disputes; renunciation of the threat or use of force; and effective cooperation. Suffice it to say that ASEAN stood up against Hanoi’s invasion of Cambodia in order to preserve the rationale and spirit of TAC, while taking full advantage of the PMC networks.

It was during this time that ASEAN developed its unique style of regional cooperation, hence the formation of a new regionalism, which has the following four characteristics: (1) non-interference in the internal affairs of member countries; (2) amicable settlement of conflicts between members; (3) joint efforts toward the outside world; and (4) close consultations and consensus decision-making. Indeed, these four traits have come to be regarded as “the ASEAN way.”

The post-Cold War period in South East Asia: systemic changes

The year 1989 could be noted as the beginning of a new era in South East Asia, not only because of the Malta Summit, but because of Vietnam's withdrawal of forces from Cambodia and the accompanying reduction of tensions in the region. It is against this background that there is a renewed interest in the Cold War regional order in South East Asia, which continues to be largely influenced by the external great powers.⁷

In the post-Cambodian conflict era, it was the United States that first began to reduce its military presence because of the so-called twin deficits of the American economy that obliged Washington to readjust "overstretched" commitments abroad. Therefore, in February 1990 Secretary of Defense, Dick Cheney, disclosed a major reduction plan for American forces in Japan, South Korea, and the Philippines, which was known as the "East Asia Strategic Initiative."⁸ The timing of this announcement was unfortunate because Washington had failed to retain its bases' agreement with Manila due, in part, to the latter's awakened nationalism. Clark Air Base was abandoned primarily because Pinatubo volcano erupted at the same time the US was negotiating a new treaty to retain its Subic Naval Base. However, the newly agreed treaty was rejected by the Philippine Senate in September 1991, which resulted in a complete withdrawal by the US from bases in the Philippines. As a result, the countries of South East Asia expressed concerns about security, including the so-called "power vacuum." Former President Bush's visit to Singapore in January 1992 was meant to give a psychological boost to South East Asian countries because of their mutual agreement on security arrangements. To assuage South East Asian concerns, Washington proposed to further explore the possibility of greater security cooperation with the ASEAN countries, as exemplified by Malaysia, Indonesia, and Brunei who had entered into a similar arrangement with Washington.

While retaining its security networks in East and South East Asia, Washington's policy has been directed increasingly toward the economic dimension of Pacific cooperation. Former Defense Undersecretary, Paul Wolfowitz, most vividly articulated this inclination in April 1990: "You've got to recognize the name of the game in the Pacific is economics. I don't think we should be under any illusions that 10 years from now the US role is going to be determined by our military posture. It's going to be determined most of all by our economic competitiveness and by the kinds of trading and economic relationships we have out there."⁹ Partly because of this awareness, in May 1991 Washington disclosed the so-called "road-map" to normalize diplomatic relations with Vietnam. This development also helped to ease the strained US-China relationship, although the impact of the Tiananmen incident in June 1989 still lingers in the minds of American policymakers.

As a continuation of the Bush-Baker diplomacy, President Bill Clinton propounded a “new Pacific community” idea based on multilateralism, which inculcated the primacy of Asia in American foreign policy. This was highlighted when the US held the first summit meeting of the Asia-Pacific Economic Cooperation (APEC) in Seattle in November 1993, where member countries agreed to create a loose-knit economic “community” and a new voice for the Asia-Pacific region in world affairs.¹⁰ In effect, by playing a pivotal role at the APEC Seattle meeting, the US gained the upper hand by addressing the crux of the economic problems in this part of the world. Thus, together with its emphasis on human rights and democratic institutions, the US is moving toward a new era in its Asian policy. As part of regional efforts to go beyond the Cold War framework, the pursuit of a “wealth game” promises to be an integral part of American foreign policy in general, and its Asian policy in particular.¹¹

During the Mikhail Gorbachev era (1985–92), the former Soviet Union underwent historical changes as epitomized by *Glasnost* and *Perestroika*. In the context of foreign relations, Gorbachev put forward a “new thinking” diplomacy, restructuring the old patterns of Soviet foreign policy. For instance, by May 1989 the three obstacles – that is, the withdrawal of Soviet forces from the China border, Afghanistan, and Vietnam – to normalizing relations with China were almost removed and relations with ASEAN countries similarly improved.

Having achieved Sino-Soviet normalization in May 1989, Moscow pursued a vigorous peace offensive in Asia. In January 1990, the Soviet Union withdrew a squadron of MiG23s and part of the TU16 squadron stationed at Cam Ranh Bay air and naval facilities. At the same time, broader Soviet–ASEAN economic relations were sought. In trying to improve these relations, Moscow particularly expressed its desire to be involved in regional economic and political forums, such as APEC, and to be included in ASEAN’s dialogue schemes with third countries. However, before these new policies ever materialized, the Soviet Union collapsed.

Despite the inauguration of the Commonwealth of Independent States (CIS) in December 1992, it has been difficult to go beyond Gorbachev’s policy of economically cautious engagement because of domestic upheaval and economic stagnation within the CIS. For instance, although the former President of the Russian Federation, Boris Yeltsin, preferred further accommodations with Asian states, according to one observer, “he [was] vulnerable to pressure by opponents in Parliament and elsewhere ready to play the ‘nationalist-patriotic’ card against him, accusing him of surrendering Russian national interests and rights to foreign countries in the region.”¹² Nevertheless, one way of looking at Russian foreign policy is to think in terms of three concentric circles: the first circle incorporating the former Soviet republics around the periphery of Russia; the second circle consisting of the “West,” that is, North America, Europe, and Japan; and

the third circle consisting of the rest, that is, the Third World. With special emphasis on the second circle, the intent of which is to offer economic assistance in order to revitalize Moscow's domestic economic development, it would take some time before Russian policy toward South East Asia could be shaped into a concrete direction.¹³

Ironically, it was the Sino-Soviet *rapprochement*, coinciding with the Tiananmen incident in June 1989, that, together with domestic fragmentation, almost isolated China internationally. As a result, China initiated a peace diplomacy mission in Asia in order to regain credibility. The most obvious change was China's cautious attempts to resolve the protracted Cambodian imbroglio by terminating China's military support for the Khmer Rouge, the most tenacious issue in the conflict. This suggested that China, more than ever, needed stable international and regional environments in order to allow Beijing to develop its economy and acquire advanced technology. Accordingly, China normalized diplomatic relations with Indonesia and Singapore in August and October 1990, respectively. Beijing came to regard ASEAN highly as an economic success story and to cooperate with the organization whenever possible. For instance, while visiting the ASEAN countries in August and December 1990, Premier Li Peng underscored the need for the closer Asian economic ties proposed by Malaysian Prime Minister Mahathir on behalf of the East Asian Economic Group. Economically, China has become one of the most dynamic nations in the Asia-Pacific region, with an impressive economic growth of more than 10 percent which it maintained despite the diplomatic isolation and economic sanctions incurred as a result of the Tiananmen incident.

Although China normalized its historically problematic relations with Vietnam in November 1991, there continue to be various nagging issues concerning the South China Sea. Having clashed militarily with Vietnam over the Spratlys in March 1988, China strengthened its air and naval capabilities to realize its territorial claims. Most importantly, China stationed troops on Da Lac reef, which is only 10km southwest of Nam Yet Island, where Vietnam has had troops in place for years. According to an official book, *Military Secrets*, published by the Chinese Public Security Ministry in June 1993, China's efforts to obtain an aircraft carrier continued, as part of its "determination" to build up a blue water naval fleet. This book also states that "It is a top priority for China to have air support for a possible battle in the Spratly islands."¹⁴

To be sure, several attempts have been made to peacefully resolve this territorial claim, such as informal meetings sponsored by Indonesia, yet China remains uncommitted, which in turn troubles the countries of South East Asia and quietly drives them toward arms modernization. This situation, in tandem with the South China Sea issue, led to the so-called "China threat" which has gradually come to the fore in recent years, especially after China's "missile exercises" around Taiwan in March 1996.

Given the weakening presence of the US and Russia, China is likely to emerge as the predominant power in East and South East Asia.¹⁵

In sum, although the three great powers have each embarked on their own search for a new order in South East Asia, with a common emphasis on economic dynamism in the region, it would be premature to predict an overall picture of that new order being based on multipolar interactions among the three great powers. However, one fact is emerging, namely, the greater role of China and Japan in almost all aspects of Asian affairs. In particular, Japan's rise as a core player in Asia is replacing the role of Russia, thus leading to a US–China–Japan triangle in Asia's international politics. Given this transitional state of regional affairs, it should be pointed out that in the post-Cambodian conflict era South East Asian countries would have to bear primary responsibility in maintaining their own regional stability and prosperity.

The Singapore Summit and the Japan factor

The advent of a post-Cold War era led many to consider that ASEAN lost a major centripetal force in its political underpinning, once the Cambodian conflict was over. In order to dispel this negative view, ASEAN succeeded in convening another summit in January 1992, thereby consolidating the new regionalism in South East Asia. This fourth Singapore summit produced four tangible agreements, as stipulated in the Singapore Declaration. That is, the ASEAN heads of government agreed to:

- (1) move to a higher plane of political and economic cooperation to secure regional peace and security;
- (2) seek to safeguard its collective interests in response to the formation of large and powerful economic groupings;
- (3) seek avenues to engage member states in new areas of cooperation in security matters;
- (4) forge closer relations based on friendship and cooperation with the Indochinese countries, following the settlement of the Cambodian conflict.¹⁶

Accordingly, since the fourth ASEAN Summit, ASEAN has come to emphasize the following three policies with which it can play a greater stabilizing role in the region: economic integration, an extra-regional grouping aiming at a greater voice in international economic relations, and security cooperation. In a way, the pursuit of these networking policies, with the aim of incorporating Japan, is thought to insure ASEAN's survival and/or competition in the wealth game unfolding in this part of the world.

AFTA and Japan's investment

It is rather a cliché to state that ASEAN's economic cooperation is of less significance than its well-articulated political and diplomatic cooperation. In the real sense of the term, ASEAN came to agreement with the issue of regional economic cooperation only after the inception of the Economic Ministers' Meeting in 1975. Afterwards, four major schemes were introduced: ASEAN Industrial Project (AIP) in 1976; Preferential Trading Arrangements (PTA) in 1977; ASEAN Industrial Complementation (AIC) in 1981; and ASEAN Industrial Joint Ventures (AIJV) in 1983. Promising as they seemed, however, these schemes produced little impact on intra-regional trade.

Because of these negligible results, major efforts were undertaken in the late 1980s by a series of groups and institutions in the ASEAN region to explore the ways and means of expanding regional economic cooperation. It was through these efforts that ideas of "a custom union" and "a free trade area" were spelled out.¹⁷ Therefore, when the heads of the ASEAN governments met in Singapore in January 1992, they were ready to agree on a major commitment to regional economic cooperation, as indicated in the Singapore Declaration: "ASEAN shall establish the ASEAN Free Trade Area using the Common Effective Preferential Tariff (CEPT) scheme as the main mechanism within a time frame of 15 years beginning 1 January 1993 with the ultimate effective tariffs ranging from 0% to 5%." Singapore Foreign Minister, Wong Kan Seng, explained the historical significance of this declaration: "It shows that Asean countries have understood the profound international changes that have occurred and have responded to them in a realistic and confident manner."¹⁸

As such, the adoption of the ASEAN Free Trade Area (AFTA) in November 1992, by which ASEAN intends to liberalize and stimulate its intra-regional trade, will be a major achievement if it succeeds. In particular, having shifted to a strategy of foreign investment-sponsored export-led growth since the late 1980s, ASEAN states were compelled to prevent possible investment diversion in the aftermath of the Gulf War and the collapse of the Soviet Union. Indeed, ASEAN has high expectations for AFTA because in theory the agreement would create an integrated market of 330 million people with a combined GDP of \$293 billion, growing at 7 percent a year. Thus, if this materializes by the projected deadline of 2008, AFTA would have far-reaching effects by attracting non-ASEAN investment to the region, especially from Japan, in addition to spurring intra-regional trade and investment. This is made possible by a clause in the agreement, which stipulates that all manufactured products, including capital goods and processed agricultural products with at least 40 percent of their content originating from any ASEAN state, are entitled to tariff reductions under the CEPT scheme. Furthermore, to ensure that the AFTA plan is fully carried out, the agreement stipulates that a ministerial council

be established to supervise, coordinate, and review implementation of the plan.¹⁹

However, only a few countries, such as Malaysia and Singapore, complied with the agreed schedule of tariff cuts. Other members faced varied difficulties with a liberalization schedule that required some countries to start lowering tariffs earlier than others, and left many goods temporarily or permanently out of the framework, that is, on the exclusion list. At the Economic Ministers' Meeting in October 1993, therefore, ASEAN readjusted the AFTA scheme. The new policy took effect on January 1, 1994, with one major difference: unprocessed as well as processed agricultural goods would now be covered, in addition to manufactures. As a consequence, the present CEPT product lists cover about 84 percent of the total intra-ASEAN trade values and about 88 percent of the total 46,505 ASEAN tariff lines. In the absence of concrete details, however, the effect and impact of the new scheme remains to be seen.²⁰ Nevertheless, the fact that the Director-General of GATT, Peter Sutherland, attended the October 1993 meeting seems to have increased ASEAN's potential for economic integration.

In accelerating the region's economy, ASEAN has also strengthened its micro-level regional cooperation. For instance, in December 1989, the then Deputy Prime Minister of Singapore, Goh Chok Tong, first extended the idea of a "growth triangle," with Singapore at the center providing investment and technologies and the Malaysian state of Johore and the Indonesian province of Riau furnishing land and cheap labors. The success of this so-called "Sijori" model of micro-level regional cooperation is said to be based on the following factors: first, a highly developed city that has run out of land and labor; second, a surrounding area plentiful in both land and labor; and third, the political will to reduce the visible and invisible barriers separating the city from the hinterland.²¹ Although the applicability of this model remains to be seen, it cannot be debated that the success of Sijori has inspired other growth triangles, such as the North Growth Triangle of Indonesia, Malaysia, and Thailand, and the Eastern Growth Triangle of Malaysia, Indonesia, and the Philippines. The appeal of many such triangles underscores the fact that market forces are gradually driving economic integration in this part of the world.

All in all, these ambitious schemes of securing foreign investment seem to be facing many obstacles, including different levels of development and clashes between national and regional interests, even if they do turn out to be a success by the projected deadline of 2008. Nevertheless, given the fact that economic integration is something the organization's founders had never intended, AFTA has to be understood in terms of ASEAN's novel political commitment to go beyond a narrowly defined economic nationalism of its member states. With this kind of commitment, the primacy of economics as a focus in ASEAN regional cooperation will be strengthened.

EAEC and the inclusion of Japan

In order to “seek to safeguard its collective interests in response to the formation of large and powerful economic groupings,” ASEAN designated the East Asian Economic Caucus (EAEC) in 1990. This ASEAN plan was first presented by Malaysian Prime Minister Mahathir in December of that year, with the rationale that cooperation and speaking in one voice was necessary among the East Asian nations.²² Although EAEC has gained ASEAN approval, the initial debacle associated with the birth of the East Asian Economic Group (EAEG) still remains a major obstacle. In a nutshell, the core of the problem is Japan, because “East Asia” meant Japan. As Mahathir palpably put it: “We are asking you to join us and play a leading role. You have the stature and the means. We know that Japan has foresworn war and military adventures. We merely want you to be our partner, to be our equal but to be also the first among equals. If you really wish to make amends for your past, this is your chance.”²³

Partly in reaction to trade blocs springing up in Europe and North America and in part because of the aborted negotiation of the Uruguay Round in late 1990, Mahathir announced the formation of EAEG which, rhetoric aside, was not intended to be a trade bloc but rather a low level economic alliance similar to the Cairns Group. EAEG’s principles were intended to be consistent with those of the General Agreement on Tariffs and Trade (GATT) as well as other Asian regional groups, including ASEAN and APEC. Then, why did EAEG not receive early approval? The most significant opposition came from those excluded from the scheme, which in turn resulted in the cautious attitude adopted by Japan and some of the ASEAN countries. The United States, for instance, insisted that EAEG would be inward-looking and detrimental to the APEC process, and also feared the possibility that Japan would dominate the proposed regional body.²⁴ Moreover, within ASEAN there emerged strong objections from Indonesia, partly because Mahathir did not consult Suharto before the announcement and partly because Jakarta was concerned with the economic repercussions of excluding the US.²⁵

Despite mounting pressure from the US and other excluded countries, ASEAN did not forgo the scheme, due mainly to the fact that Malaysia chaired the ASEAN Standing Committee. Subsequently, ASEAN foreign and trade ministers tried to flesh out the EAEG proposal at their meetings in July and October 1991, respectively. At the latter meeting, EAEG became an ASEAN idea and was renamed EAEC so as to defuse allegations that it was intended as a trading bloc.²⁶ With this minimum agreement, EAEC was placed on the agenda of the fourth ASEAN Summit for January 1992. The 1992 Singapore Summit, however, could not come up with a unanimous vote, and the Singapore Declaration ended up merely stating: “With respect to EAEC, ASEAN recognizes that consultations on

issues of common concern among East Asian economies, as and when the need arises, could contribute to expanding cooperation among the region's economies, and the promotion of an open and free global trading system."²⁷

However, the notion of Fortress Europe and the North American Free Trade Agreement (NAFTA) has brought home the fact that ASEAN might become marginalized, with major consequences for the region's economy and security. Thus, despite the early debacle between Malaysia and Indonesia, the ASEAN countries have agreed to promote it as an ASEAN scheme, as a result of mutual consultation among its member countries. In particular, Mahathir-Suharto talks in July 1993 concluded in an agreement that APEC should not develop at ASEAN's expense, and objections to plans to turn APEC into a forum for trade negotiations were raised. After the meeting, Suharto became more favorably disposed toward EAEC.²⁸ While designating EAEC as a "Caucus within APEC," the next step toward realization of the scheme was to launch an official meeting, especially for the purpose of securing Japanese attendance. This meeting transpired in July 1994. Bringing together potential members from Japan, China, and South Korea for the first time, EAEC saw its first informal meeting off the ground, although the outcome was inconclusive due mainly to indecision on the part of the non-ASEAN countries. As the then ASEAN Secretary-General, Ajit Singh, explained: "We also need input from China, South Korea and Japan. This consultation will continue and we'll reassure the others and try to help overcome any misconception or misgivings they may have."²⁹

In January 1995, an ASEAN Foreign Ministers' Meeting issued a joint communiqué stressing the fact that "the member countries reaffirm their commitment to an early launching of the EAEC and that they recognize the usefulness of more focused discussions on specific economic and development issues, particularly on matters that will contribute to greater development of the East Asian region."³⁰ The EAEC concept was given a major boost at the fifth ASEAN Summit in December 1995, which endorsed Malaysia's two proposals for the East Asian region: namely, the Mekong Basin Development and the Trans-Asia Railway.³¹ In a way, ASEAN revived EAEC by adopting specific policies to be pursued by the East Asian countries.

Moreover, in March 1996 in Bangkok, ASEAN held its first meeting between East Asia and Europe and celebrated the establishment of a multi-lateral dialogue, which became known as the Asia-Europe Meeting (ASEM). Since, objectively, it seems desirable for ASEAN to have some countervailing force when dealing with such superpowers as the United States and Europe, EAEC and ASEM would provide this.³² In any event, ASEAN needs to resolve the dilemma of America's concern about Japan's dominance in East Asia as well as ASEAN's concern about achieving a balance between China and Japan.

ARF and Japan's multilateral security cooperation

Although not a military organization itself, ASEAN has been concerned with security problems that stem from both internal and external environments. Nevertheless, up until 1975, the ASEAN countries saw their primary security problems as internal to each member, emphasizing a combination of policies to achieve economic growth and the integration of various ethnic groups. In other words, they sought to deal with internal security questions – including the issue of subversive forces – on their own, by pursuing a goal of national resilience. Externally, the ASEAN countries agreed in November 1971 to establish a Zone of Peace, Freedom, and Neutrality (ZOPFAN). The idea was to achieve a neutralized South East Asia as a long-term regional solution in which the great powers would agree to forswear involvement in the region. ASEAN's first commitment to security cooperation came with the 1976 Bali Concord, which officially recognized “continuation of cooperation on a non-ASEAN basis between the member states in security matters in accordance with their mutual needs and interests,” while maintaining that “the stability of each member state and of the ASEAN region is an essential contribution to international peace and security. Each member state resolves to eliminate threats posed by subversion to its stability, thus strengthening national and ASEAN resilience.” In other words, the ASEAN states came to share the concept of “comprehensive security” based on collective internal security.³³

Because of these developments, ASEAN's security cooperation was kept strictly within the framework of the bilateral agreement. The emergence of Vietnam by 1979 as the predominant power in Indochina, based as it was on a Soviet alliance, defied ASEAN's benign hope for a region free of great power involvement. Fortunately, during the 1980s, ASEAN's security concerns were mitigated by the *de facto* US–China–Japan alliance against Vietnam and the Soviet Union. Noteworthy here is that Vietnam's occupation of Cambodia, and with it the possible creation of an “Indochina Federation,” inculcated a consciousness of ASEAN's common fate while also strengthening development-cum-security conditions within each country along the lines of “national resilience.”

In the early 1990s, however, ASEAN's second major commitment to security cooperation occurred for two reasons. First, in parallel with the resolution of the Cambodian conflict, the naval and air forces of several ASEAN countries were upgraded to a large extent because of the high stakes of control of the South China Sea. In fact, Malaysia and the Philippines had a quiet dispute in April 1988, not to mention the fact that a month earlier, ASEAN had observed with considerable trepidation the struggle between China and Vietnam over this same conflict zone. What happened was that Hanoi challenged China's fortification of eight of the islands by sending a navy patrol. The result was a bloody clash that left 77 Vietnamese dead and three ships sunk. Hence, the South China Sea

conflict zone was designated as the latest trouble spot for the ASEAN countries, resulting in an “arms race” in the region. The critical issue in this instance is not so much conflicting territorial claims, but an expanding Chinese naval capability. Should China’s naval modernization program continue, the so-called “China Threat” could become a reality with some rather serious consequences. As one scholar suggests, “ASEAN countries will not only continue to upgrade their defenses, but they may join more closely together with Vietnam and even seek countervailing power from outside the region to balance China.”³⁴

Second, the then Philippine Foreign Minister, Raul Manglapus, proposed that ASEAN countries should assume joint political responsibility for the American presence or otherwise secure a redistribution of the bases, in the light of the growing prospect of a total withdrawal of US bases. When the Philippine Senate rejected the new bases treaty in September 1991, the prospect for total withdrawal loomed large – even after September 1992 – to which some ASEAN countries responded by advocating further security cooperation. Clearly, therefore, spurred by the possible phasing out of American bases and the South China Sea conflict, the ASEAN countries began their quest for a viable alternative.

One initiative made by Singapore, in August 1989, was to share security burdens with the US, in the form of providing military facilities for American naval activities. In particular, US Navy officials sought facilities to replace Subic Bay’s main function of ship repair and, to this end, they began negotiating with Malaysia, Indonesia, and Brunei for training, repair, and access arrangements. Regarding the Singapore–US access agreement, however, both Malaysia and Indonesia expressed vehement objections, saying that the agreement would run counter to ZOPFAN. Although Malaysia and Indonesia strongly objected, it was only to the form of the agreement, not its underlying rationale. Thus, once they ascertained that the agreement was not meant to be permanently binding, their objections were dispelled.

Another initiative was to establish a security forum. Facing a rapidly changing security environment in the region, and after considering the various proposals made by Canada, Australia, as well as Russia, ASEAN members finally agreed to establish a regional body in July 1993, which they formally called the “ASEAN Regional Forum (ARF).” The fact that they did not name the forum “Asian” suggests that the Association was intended to be the backbone of future security discussions, with its PMC acting as a centrifugal body. To this decision such external powers as the United States, Russia, China, and Japan gave their full support. In fact, a proposal by the Japanese government to utilize ASEAN’s PMC as a security forum contributed to the formation of the ARF. This decision was a major step for ASEAN, in that the Forum holds the potential to generate its own momentum toward a new regionalism and become the focus of all matters relating to political and security issues.³⁵

Furthermore, ASEAN-Institutes for Security and International Studies (ISIS) has come to play a prominent role in the so-called Track II process. In May 1991, for instance, ASEAN-ISIS organized a “senior officials’ meeting” made up of senior officials of the ASEAN countries and dialogue partners in order to support the ASEAN PMC process. Then, together with a few other Asia-Pacific think tanks, ASEAN-ISIS established the Council for Security Cooperation in the Asia-Pacific (CSCAP) to provide a non-governmental dialogue and give direction and research support for the ARF, in the same manner that the Pacific Economic Cooperation Conference (PECC) used to function for APEC.³⁶ Without a doubt, the establishment of CSCAP is one of the most important milestones in the development of institutionalized dialogue and cooperation concerning security matters in the region. It may be expected that the resulting CSCAP-PMC-ARF nucleus could serve as a basic security network in the Asia-Pacific region.

The first ASEAN Regional Forum was held in July 1994 in Bangkok with six member nations of ASEAN, seven dialogue partners, and five observers and guests (Russia, China, Vietnam, Laos, and Papua New Guinea) attending – this broad representation implicitly underscoring the centrality of ASEAN. After a three-hour discussion on Asian security, the chairman issued a brief statement stressing that “the ARF would be in a position to make significant contributions to efforts toward confidence-building and preventive diplomacy” and peaceful settlement of disputes in the region. Since this was an inaugural meeting, the eighteen participants simply agreed to only two future actions: to convene the ARF on an annual basis and hold the second meeting in Brunei Darussalam in 1995, and to endorse the purposes and principles of ASEAN’s Treaty of Amity and Cooperation in South East Asia, as a code of conduct governing relations between states and a unique diplomatic instrument for regional confidence building, preventive diplomacy, and political and security cooperation.³⁷ Most importantly, securing China and Russia’s participation would constitute a major breakthrough, bringing together for the first time all the major powers in the Asia-Pacific region.

In February 1995, the Philippines revealed that China had built military-style structures on Mischief Reef, which has since come to be regarded as a great security challenge to ASEAN. As a result, after holding successive ARFs, ASEAN’s intentions were becoming clearer. As one scholar explains: “ARF is seen primarily as a means of engaging China in a multi-lateral security dialogue without expectation of solving disputes or building a comprehensive regional security structure.”³⁸ With the birth of ARF, therefore, the channels of dialogue for Asia-Pacific regional security have now taken on multi-layered structures, centering on the ASEAN-PMC framework and Track II dialogue. These developments bode well for the initiation of “security networking” in the region.

The 1997 financial crisis and Japan: danger or opportunity?

In July 1997, a pervasive financial crisis occurred in Thailand, which soon engulfed East and South East Asian countries. Especially hard hit were Indonesia and South Korea. Although exact reasons for the economic turmoil vary from country to country, there are several common factors: (1) an over-reliance on short-term foreign borrowing by private firms and banks; (2) over-investment in real estate; (3) inadequate supervision of financial institutions; and (4) over-dependence on the US dollar. These factors were exacerbated by the lack of democratization. In August, Thailand entered into an agreement with the International Monetary Fund (IMF) for an emergency stand-by credit, in exchange for the adoption of stringent fiscal austerity and a range of structural reforms. However, by the time the informal summit meeting in Kuala Lumpur started on December 14, 1997, “many were helpless spectators to a mauling of their currencies, stockmarkets and economies in general by forces they barely comprehended.”³⁹

As such, the crisis became so pervasive that Asia is said to have lost its confidence in the “Asian Miracle.” Although this conclusion needs to be debated, it seems undeniable that the prolonged economic crisis is likely to have some important politico-security implications. Since South East Asian countries have based their legitimacy largely on promoting rapid economic growth, the following four implications of the financial crisis could be extrapolated: (1) the end of developmental states, for instance, Indonesia’s Suharto regime; (2) slower defense modernization; (3) a divisive ASEAN; and (4) the retreat of the new ASEAN regionalism, for instance, AFTA and ARF. Now that some of these implications have become reality, the pessimists may claim that “the ASEAN way no longer works.”⁴⁰

While resolving in their Vision 2020 statement to move closer toward regional cohesion and economic integration in December 1997, therefore, the hard-hit ASEAN countries, individually and collectively, turned to Japan for assistance. Thailand, for instance, sent its finance minister to Tokyo before asking for IMF assistance. For its part, Japan agreed to play an important part in facilitating assurances of continued Japanese investment in Thailand and agreement from Japanese banks to roll over existing loans, and any additional Japanese support that might be available.⁴¹ Collectively, Japan and ASEAN tried to set up an “Asian Monetary Fund” to deal with the IMF deficiency. As Thai Finance Minister Thanong explained, the scheme envisions Japan becoming “a pillar of economic stability in the region comparable to the United States and Europe in their own continents.”⁴² However, this ambitious plan was rejected by the United States, and thus never materialized.

On the other hand, the financial crisis also seems to have had some positive and unifying effects on ASEAN. If the affected countries can adopt much needed structural reforms – including greater accountability and transparency in their financial systems and more open markets – the crisis may provide opportunities for them. The 1998 Summit in Hanoi is a case in point. While producing three agreements, namely, the Hanoi Plan of Action, the Hanoi Declaration of 1998, and a Statement of Bold Measures, ASEAN established a move toward further regional integration.⁴³ Should this take place with the help of outside powers, and especially adjacent countries, then the financial crisis could ultimately help strengthen ASEAN cohesion, as well as the organization's ties with East Asia.

The new regionalism in South East Asia: main problems

Thus far, we have been discussing ASEAN's inclination toward a new regionalism in its external relations, including AFTA, ARF, and EAEC. There are three characteristics of the new ASEAN regionalism. First of all, ASEAN intends to include external powers, especially Japan, as a safeguard against actual and latent regional problems. In a way, ASEAN's dependence upon Japan both economically and politically contains the North–South relationship, as Prime Minister Mahathir contends. Second, ASEAN's multi-layered regionalism suggests that members are not confined only to the organization, but overlap with other regional groupings and organizations. Third, ASEAN's external orientation embodies “open regionalism,” in the sense that it stresses the importance of participating in an international economic system. It is this very dynamism that contributes to the integrated nature of South East Asian regionalism, that is, a new regionalism based on the “ASEAN way.”

However, it has to be pointed out that there are also major caveats that may jeopardize ASEAN's major multilateral efforts of the 1990s.⁴⁴ Three factors are considered here, namely: (1) ASEANization of South East Asia; (2) democratization; and (3) weak regional institutions.

ASEANization of South East Asia

Since the end of the Cambodian conflict in 1991, as well as the great powers' disengagement from the region, the countries of South East Asia have reappraised their need to make the region more cohesive and conducive toward regional cooperation. To this end, a sub-regional ASEAN group has approached the rest of the South East Asian countries for the purpose of consolidating its position, in part due to the demise of a “monolithic” Indochina dominated by Vietnam.

Among the three Indochinese countries and Myanmar, Vietnam was the first to express its desire to join ASEAN, for both economic and political

reasons. Economically, Hanoi needed the capital and know-how for joint ventures in carrying out its *doi moi* reforms. Politically, Hanoi began to see ASEAN, and Indonesia in particular, as an ally in dealing more confidently with Beijing, as shown by their collaboration in the South China Sea conflict zone. That is clearly the reason why the joint communiqué at the end of Suharto's Hanoi visit in November 1990 stated: "Prompted by the desire to contribute to the consolidation of peace, stability and cooperation in the region, the Vietnamese leaders reiterated Vietnam's wish to accede to ASEAN's Treaty of Amity and Cooperation in South East Asia signed in 1976, and at a later stage to join ASEAN."⁴⁵ Accordingly, Vietnam saw closer integration with ASEAN as a matter of necessity. Following suit, Laos began to open up by adopting a policy of *Chin tanakan mai* (new thinking).

The ASEAN heads of state discussed membership for Vietnam and Laos at their fourth meeting in January 1992, in spite of the fact that economic disparities and a delay in Vietnam's market-oriented reforms remained as obstacles. In July 1992, Laos and Vietnam went one step further by joining the 1976 Treaty of Amity and Cooperation during ASEAN's Ministerial Meeting held in Manila. Furthermore, at their next Ministerial Meeting in July 1993, ASEAN approved the participation of Laos and Vietnam in six areas of functional activities. Vietnam became ASEAN's seventh member after the July 1995 meeting, and Laos and Myanmar joined after the next ASEAN Summit in 1997. What is so important about this endeavor is that there seems to be a consensus emerging that Vietnam could serve as a counterweight to China, thus providing ASEAN with diplomatic leverage.

Myanmar, however, has had serious problems, due to domestic political upheavals. As is well known, Myanmar's junta seized power in 1988 after soldiers killed hundreds of pro-democracy demonstrators; in 1990 they refused to acknowledge the results of the parliamentary elections. Also, the ruling State Law and Order Restoration Council (SLORC) – since 1997 renamed as State Peace and Development Council (SPDC) – has kept opposition leader and Nobel Peace Prize winner Aung San Suu Kyi under house arrest since 1989. The United States and other Western nations have used economic and other sanctions to try to push the ruling junta toward democracy. However, while pursuing a policy of "constructive engagement," ASEAN has rejected Western criticism on human rights issues as attempts to impose Western values on different Asian cultures. ASEAN has insisted that isolationism does not work and would even be counterproductive.⁴⁶

These problems notwithstanding, in late May 1994, government officials and academics from all the South East Asian countries met in Manila to draw up a "vision for a South East Asian Community," better known as "one South East Asia" or "ASEAN 10." As their final report proclaims: "This South East Asian community of peace and prosperity that

we envision should be a model of international cooperation for the rest of the global community.”⁴⁷ Thus, it was highly commendable that officials of the ten nations met once again in Bangkok within six months and that the community concept received high-level endorsement at the 1995 ASEAN Summit.⁴⁸ The vision of “ASEAN 10” was close to realization when Laos and Myanmar joined ASEAN in July 1997, although it was agreed that Cambodia would have to wait until current domestic upheavals were peacefully resolved. In April 1999, Cambodia became the tenth member of ASEAN.⁴⁹ Clearly, therefore, the deepening and widening of ASEAN have steadily progressed since the fourth summit of 1992, in spite of the fact that some of the region’s domestic problems remain intact.

Democratization

Without a doubt, the economic performance of ASEAN countries during the 1970s and 1980s has been remarkable, and even exceptional, compared to that of other developing countries. Once known as the place of Oriental despotism, East Asia has completely changed its pessimistic image into a positive one due to this economic “miracle.” Although various reasons can be found for their success, including the concepts of “flying geese,” “Confucian ethic,” or “East Asian authoritarianism,” it can be generalized that those countries with a low level of economic growth tend to have autocratic governments. Ostensively, the ASEAN countries have preferred development to democratization. For some, furthermore, national development has been pursued at the expense of democratization, to which the Western countries have begun to pay extraordinary attention in recent years.⁵⁰

The lack of democratization is likely to hinder a greater participation of the populace into the policy-making process, thereby discouraging a broadening of these nations’ economic bases. As the fate of the Marcos and Suharto regimes suggests, a brutal violation of human rights and working conditions will destabilize a political system. And, with the spread of discontent abroad, through political dissidents, refugees, and foreign workers, as well as the volunteer activities of NGOs, relations between neighbors are also likely to destabilize. Given the widening political distance between relatively democratized Thailand and the Philippines *vis-à-vis* the other four, it is of utmost importance that discrepancies are resolved even among the ASEAN states.⁵¹

In terms of ASEAN’s external relations, the issue of human rights and democratization can be deemed critically important. For instance, Myanmar’s admission to ASEAN has adversely affected and sometimes curtailed the organization’s otherwise smooth running operation and activities, as demonstrated by the EU’s boycott of ASEAN meetings, beginning in 1997. Finally, the EU agreed to attend the Bangkok meeting in early 1999, provided that Myanmar attended but did not speak.⁵²

Weak regional institutions

The East Asian financial crisis has indeed damaged ASEAN's credibility. As some observers succinctly put it: "the economic crisis may well make the Association more distracted, inward-looking and less cohesive. Long-standing rivalries within ASEAN may resurface."⁵³ As a result, the ASEAN way has been questioned. Of the four main aspects of this approach, as discussed earlier in this chapter, the principle of non-interference is the key to reorganizing the Association. By modifying the non-interference principle, many proposals have emerged within ASEAN, including "constructive intervention," "constructive engagement," and "flexible engagement." However, all these concepts were eventually toned down to "enhanced interaction," which represents a more compromised approach to regional issues, combining both the ASEAN way and more direct intervention.⁵⁴ Whether this compromise will allow the ASEAN to function more effectively remains to be seen.

Another issue is the fact that ASEAN has overstretched its role in directing APEC and ARF. In particular, the so-called "driver role" of ASEAN in organizing and promoting the ARF process has been under serious scrutiny in recent years. One observer argued that "The ARF can do little to promote security because ASEAN insists on its primacy in it, even though North Asia and not Southeast Asia is the locus of regional strategic tension."⁵⁵ On the other hand, a South East Asian scholar counters this argument by stating that "ASEAN's leadership role in the ARF is only the result of strategic convenience due to the fluidity in the major power relations. The irony, however, is obvious: while recent developments in China-US-Japan relations could be detrimental to regional security and stability, it nonetheless has worked to the advantage of ASEAN's claim to be in the driving seat."⁵⁶

This debate over the restructuring of ASEAN does not mean that there is no need for the organization to undertake some necessary adjustments. On the contrary, since the financial crisis has exacerbated its inherent weakness, ASEAN needs to undergo reforms, otherwise its role in the region could be marginalized. As one scholar explains: "ASEAN is likely to lose its pre-eminent regional status to other institutions, and may even fade into irrelevance, in the next century."⁵⁷

Summary

We have seen that ASEAN's pledge in January 1992 to move "toward a higher plane," was fulfilled over the following five years by adopting a higher profile in the wider Asia-Pacific region, based on the ASEAN way. By introducing a new element of multilateral interaction and cooperation, ASEAN's networking efforts led to the new regionalism in South East Asia as a way to deal more confidently with the post-Cold War conditions that

are still unfolding, as evidenced by AFTA, EAEC, ARF, ASEM, and a unified “one South East Asia.” Having analyzed the possibilities and limits of these undertakings, it seems likely that the ASEAN way would be able to survive, and serve as a unique model for Third World regionalism, should there be adequate organizational reforms. Toward this end, however, Japan’s role will be crucial.

To recapitulate, three issues – economic integration, an extra-regional grouping aimed at a greater voice in international economic relations, and security cooperation – have accelerated ASEAN’s search for a new direction based on multi-layered regional cooperation and networks. Given the fact that the balance of power in South East Asia is likely to be continuously shifting, let aside any lingering economic difficulties caused by the most recent financial crisis, it seems imperative that greater unity and cooperation be accorded more emphasis. The key to success seems to be the upgrading of economic interactions, through bodies such as AFTA which will sustain the region’s stability and security, while also consolidating the “Aseanization” of South East Asia and promoting democratization. An economically viable, enlarged ASEAN will be able to play a centrifugal role in the East Asian region, which in the late 1990s was increasingly becoming an area of intensified economic competition.

3 **Japan's dynamic foreign policy toward South East Asia**

Three doctrines

My pledge is that the government and people of Japan will never be skeptical bystanders in regard to ASEAN's efforts to achieve increased resilience and greater regional solidarity, but will always be with you as good partners, walking hand in hand with ASEAN.

(Takeo Fukuda, August 1977)¹

Today, ASEAN is the focus of world attention as a group of most dynamic nations in the Asia-Pacific region. The key to this achievement has been the spirit of cooperation guiding ASEAN, which I believe has its roots in the spiritual tradition of Asia that values harmony and consensus in diversity. As an Asian sharing this tradition, I take a particular pride in the accomplishments of ASEAN.

(Noboru Takeshita, December 1987)²

Japan and ASEAN should address squarely their respective challenges, based upon the preconditions of the US presence in Asia and China's further constructive participation in the international community. In that process, Japan and ASEAN should reform their cooperative relations, which have so far placed great weight on the economic field, into broader and deeper ones suitable for the new era.

(Ryutaro Hashimoto, January 1997)³

It is believed that the promulgation of the so-called Fukuda Doctrine on August 18, 1977 marked the beginning of Japan's improved relations with South East Asia in general, and the Association of South East Asian Nations (ASEAN) in particular. Moreover, when Prime Minister Noboru Takeshita attended the third ASEAN Summit held in Manila in December 1987, Japan-ASEAN relations were treated as a "special" item on the agenda in the midst of celebrations of the twentieth anniversary of ASEAN. Although Prime Minister Fukuda had also been given a special opportunity to speak at the second Summit in August 1977, Takeshita's status differed from his predecessor's in that Japan was the only guest country among the dialogue partners of ASEAN in 1987. This sequence of events suggests several questions. Why was it that only Japan was invited to the

Manila Summit? Has that unique relationship developed over time? What are the problems and obstacles to be tackled in order to further improve relations? Most importantly, where might Japan–ASEAN relations proceed in the future?

In order to answer these questions, it is necessary to delve into the interactions between Japan and ASEAN over the past three decades, in the process of which certain unique features of the relationship can be identified. The most surprising of these is that through active interaction, Japan–ASEAN relations have become highly institutionalized, for instance with the *de rigueur* visit to the region by Japan's top leaders. Thus, after analyzing the development of Japan's ASEAN policy, we will consider three major developments illustrating that institutionalization, namely, the Japan–ASEAN Forum (formerly, the Japan–ASEAN Rubber Forum), the Japan–ASEAN Foreign Ministers' Meeting, and the Japan–ASEAN Economic Ministers' Meeting.

ASEAN in Japanese foreign policy

When ASEAN was launched on August 8, 1967, the Japanese government reacted favorably, regarding its formation as an affirmation of growing South East Asian regionalism, and thereby also giving tacit encouragement to Tokyo's regional development strategy.⁴ However, Japan's attitude toward ASEAN turned into a negative stance in the early 1970s. The neutralization of the ASEAN policy adopted in 1971 had an adverse impact on Japan's approach to foreign policy, in the sense that Tokyo was wary about supporting an organization that embodied neutrality as its platform. But, as a result of Japan's rapid economic penetration into the South East Asian region, ASEAN felt that joint negotiations with Tokyo were necessary. This was a reflection of the growing fear of Japan's economic domination in several countries in South East Asia, exemplified by Thailand's boycott of Japanese goods in 1972 and Malaysia's later criticism of Japanese production and export of synthetic rubber.

Confronted with the critical situation in South East Asia, Prime Minister Kakuei Tanaka (1972–4) contemplated some measures to resolve the problems. However, the 1973 oil crisis compelled Japan to pursue a more aggressive resource policy, which exerted a negative impact on resource-rich countries, including those in South East Asia. Thus, when Prime Minister Tanaka visited South East Asia in January 1974, unprecedented anti-Japanese demonstrations took place throughout most of the region. In particular, these demonstrations escalated into violent riots in Bangkok and Jakarta. Since Indonesia was the last stop of Tanaka's tour as well as Japan's most important trading partner in the region, this incident resulted in giving the Tanaka tour a very negative image both inside and outside Japan. Within two decades after re-entering the region's economic scene, Tokyo had to confront the consequences resulting from its pursuit of economic gain

independent of political considerations. To be sure, this was deemed as a devastating blow to MITI-led economic diplomacy. Responding to the pressing demands of ASEAN and to anti-Japanese demonstrations during the Prime Minister's 1974 visit, the first Japan–ASEAN Forum on Rubber was held in February 1974, and hence direct contact was initiated.

In fact, Japan–ASEAN negotiations over synthetic rubber had a major impact on Japan's regional policy.⁵ The beginning of negotiations was the sixth ASEAN Foreign Ministers' Meeting held in April 1973 in Pattaya, Thailand where the Malaysian delegation led by Deputy Prime Minister Tun Ismail presented its position paper against "the indiscriminate expansion of the synthetic rubber industry by Japan," which was adopted by the delegates. In August 1973, ASEAN issued an *aide-mémoire* to Japanese envoys in the ASEAN capitals and, after a two-day meeting of senior officials, agreed to take collective action on behalf of the Association against the expansion of export of Japanese synthetic rubber. In response to the ASEAN request, the Japanese government agreed to participate in a formal dialogue in order to resolve the issue.

Why did Japan concede at this moment, and agree to incorporate ASEAN in the agenda of Japanese foreign policy? There are three main reasons to explain the decision. First of all, the 1973 oil crisis was affecting synthetic rubber production, while at the same time production costs were rising. Second, Japan was given notice as to complaints by some ASEAN countries regarding their unbalanced trade relations with Japan. Third, Japan was trying to avoid any collision with Indonesia because the country was becoming a major oil supplier to Japan. In this respect, it was symbolic that the anti-Japanese demonstrations, whatever the catalyst, were most threatening at the time of Prime Minister Tanaka's visit to Jakarta in January 1974.

Furthermore, the changing South East Asian power configuration – especially the dissolution of the war, that is, the collapse of South Vietnam and the revitalization of ASEAN through the Bali Summit in February 1976 – had a major impact on the Japanese government. With the end of the Vietnam War, the regional structure that had sustained the mechanism of the Cold War in South East Asia was seriously weakened, if not in a state of collapse. In particular, the absence of a predominantly American presence in South East Asia compelled Tokyo to formulate a new framework of regional order. A new set of diplomatic principles was needed because Japan's previous policy toward the region, based upon economic assistance to individual countries and strong American security commitments, had become untenable.

The Fukuda Doctrine of 1977

The election of a new prime minister on December 23, 1976 was the beginning of Japan's new South East Asian policy with its special emphasis

on ASEAN. As a strong mainstream LDP leader, but one who also had personal relationships with many top ASEAN leaders, Prime Minister Takeo Fukuda was highly esteemed by Ministry of Foreign Affairs (MFA) officials as well as by South East Asian leaders. Recognizing favorable signals from ASEAN leaders, Fukuda, upon establishing his Cabinet, expressed readiness to promote an Asia-centered diplomacy.⁶

Prime Minister Fukuda came into office with clearly defined domestic and foreign policy objectives. His external policies could be epitomized by his support for three concepts: first, Japan's unprecedented experiment as a great economic power without military power; second, the interdependent world community and Japan's responsibility to it; and third, a sense of the world economic crisis and Japan's ability to contribute to world economic recovery and toward solving the North-South problems. Of the three, the first had been a long-cherished policy objective since Fukuda's days as Foreign Minister.

To make these ideas the official policy, Prime Minister Fukuda had to announce them at the right occasion and at the right place. Fukuda's involvement in the South East Asian region was substantial, partly because his former factional leader, Kishi, had cultivated unofficial channels through Japan's payment of war reparations. Having developed his own relations with South East Asian leaders before becoming Prime Minister, Fukuda responded favorably to those leaders' high hopes for his premiership. Another aspect of Fukuda's overtures was cultural. Since 1972 he had been advocating new cultural relations with South East Asia, emphasizing Japan's non-military role and the need to construct better relations based on mutual trust and a better understanding of each other's cultures.

The initiation for the first Doctrine in Japanese foreign policy was undertaken rather quickly, for all policymakers held one view in common: that existing South East Asian policy was not working. There were three reasons for this conclusion. First, the anti-Japanese movement in 1974 was a decisive counterblow to Japan's resource-based diplomacy. Second, the end of the Vietnam War in 1975 and American withdrawal from the region necessitated Japan's reappraisal of its policy orientation, which had always followed the dictates of the US. In other words, the power vacuum in South East Asia required a new role for Japan in the region. Third, and in relation to the second, ASEAN as a regional organization was becoming a full-fledged player in the region, exemplified by its first Summit in 1976, and it expected strong Japanese support, especially economic support. Special commitments, not vague promises, were demanded by ASEAN in the field of regional economic development. All these factors, including the Tanaka riots, the power vacuum, and ASEAN's demands, provided Japanese policymakers with a unique opportunity to initiate a systematic new South East Asian policy.

In many respects, therefore, the historical meeting between the Japanese Prime Minister and the heads of the ASEAN countries was all the more

significant because it was the first meeting in the postwar period, and only the second since the Greater East Asian Conference held in Tokyo in 1943. However, throughout talks at the Summit, and with individual countries after, the Japanese delegation recognized that there still existed a sense of suspicion on the part of ASEAN countries, and because of this, as well as newspaper leaks of the Doctrine, the Manila Speech was re-written on August 15, which resulted in the following three principles: (1) Japan rejects the role of a military power and is resolved to contribute to the peace and prosperity of South East Asia; (2) Japan will do its best for consolidating the relationship of mutual confidence and trust based on “heart-to-heart” understanding; (3) Japan will be an equal partner of ASEAN and its member countries, and cooperate positively with them in their own efforts, while aiming at fostering a relationship based on mutual understanding with the nations of Indochina, and will thus contribute to the building of peace and prosperity throughout South East Asia.

In retrospect, Fukuda explains: “As a Japanese politician, who had been concerned with South East Asia for a long time, I have had a determined objective at the time of my South East Asian visit. That was to forge a closer friendship between Japan and ASEAN, and to reconstruct a new rationale of international relations. I feel that the Fukuda Doctrine is still now alive steadfastly in the region.”⁷ It was envisaged that a policy of cultural promotion would compensate for economically skewed relations. Advocating a political role was the most challenging policy, and it was also the best solution in terms of the power vacuum that existed in the region. As part of this policy, the establishment of a “special” relationship with ASEAN was crucial in furthering Japan’s own interests. The next step was to be consistent in efforts to implement the proclaimed policy.

The Takeshita Doctrine of 1989

The year 1978 may be called “ASEAN year,” because ASEAN became the focus of international diplomatic activity, with various leaders visiting the region, among them, American Vice President Walter Mondale, Soviet Deputy Foreign Minister Nikolai Firyupin, and Chinese Vice President Deng Xiaoping. Japan’s political initiative in taking ASEAN seriously was clearly being emulated by other big powers.⁸

Following in Fukuda’s footsteps, Prime Minister Zenko Suzuki visited the region as his first overseas trip in 1981. Like Fukuda, Suzuki made a major speech in Bangkok, which stressed the following points: (1) Japan will not play a military role in the international community; (2) Japan will play a political role to help maintain world peace, commensurate with Japan’s status in the community of nations; and (3) Japan will stress four areas in its economic cooperation policy, such as rural development, energy resources, human resources, and small and medium-sized enterprises.⁹

Only two years later, in April–May 1983, Prime Minister Yasuhiro Nakasone paid a visit to the ASEAN countries. In promoting a relationship of mutual trust between the two parties, Nakasone announced three proposals: (1) a 50 percent increase in the ceiling of quotas under the preferential scheme for ASEAN industrial products starting in 1984; (2) reactivation of a program for Japan to assist ASEAN enterprises in plant renovation; and (3) an invitation to 150 ASEAN youths to visit Japan every year for a short stay and the launching of Japan–ASEAN scientific and technological cooperation.¹⁰

Soon after the visit, however, Nakasone was preoccupied with economic problems as a result of mounting pressures from the United States and the European countries. The announcement of the Action Program in July 1985 was a case in point. Stressing Japan's new self-image as a member of the West, Nakasone showed strong leadership in resolving economic problems with the West. This initiative, however, resulted in a "benign neglect" of his ASEAN policy, as underscored by a declining trend in trade and investment. It was unfortunate that the sense of Japan's neglect arose just when ASEAN was suddenly feeling vulnerable, faced with the worst economic stagnation in its history.

The change of leadership in December 1987 was expected to turn the tide. Attending the third ASEAN Summit in Manila, Prime Minister Noboru Takeshita (1987–9) made a speech entitled "Japan and ASEAN: A New Partnership toward Peace and Prosperity" in which he stated: "Ten years ago, when Prime Minister Takeo Fukuda toured the ASEAN countries on the occasion of the Second Meeting of the ASEAN Heads of Government, he expressed, here in Manila, Japan's fundamental thinking concerning promotion of ties based on 'heart-to-heart' understanding with the ASEAN countries. Those ideas are still at the basis of Japanese policies *vis-à-vis* ASEAN," while enumerating three basic policies toward ASEAN: (1) to strengthen the economic resilience of ASEAN; (2) to promote political coordination between Japan and ASEAN; and (3) to promote cultural exchanges.¹¹ In a way, the "Takeshita Doctrine" accentuated ASEAN's fresh start of the third decade because the main target of the Manila Declaration was a strengthened economic cooperation, as contemplated by the Group of Fourteen, a private advisory group appointed by ASEAN.¹²

The high point of Takeshita's visit was the formalization of a Japan–ASEAN Development Fund of more than \$2 billion as the first phase in its financial recycling program, which the Japanese government believed would stimulate the ASEAN economies. The fund consisted of two parts: loans to the private sector at a low interest rate of 3 percent per annum for joint ventures in the region, and untied loans to ASEAN through development institutions in each country. This fund differed from the previous Fukuda Fund because the latter was directed only at large-scale government projects, while the former was designed to assist small and

medium-sized private companies in the export industry.¹³ The immediate effect of Takeshita's proposals can be measured by the adoption of the so-called BBC (Brand-to-Brand Complementation) scheme, initiated and supported strongly by Japanese private firms. Regarding the BBC scheme as one of the most important forms of industrial cooperation, the ASEAN Economic Ministers' Meeting issued the "Memorandum of Understanding, Brand-to-Brand Complementation on the Automotive Industry under the Basic Agreement on ASEAN Industrial Complementation" in October 1988.¹⁴

In April 1989, domestic political problems worsened and forced Takeshita to resign in the midst of his preparation for the ASEAN tour. Although his resignation was made public, Takeshita decided to visit the region in late April and May 1989 and made a policy speech in Jakarta, entitled "Japan and ASEAN: Thinking together and advancing together." In the speech, he explained Japan's policy rationale:

Soon after becoming Prime Minister of Japan, I have set forth an International Cooperation Initiative premised on the following three pillars. The first pillar is the strengthening of cooperation to achieve peace. Second is the expansion of Japan's Official Development Assistance (ODA). And third is the strengthening of international cultural exchange. I believe that South East Asia is one of the most important areas for this International Cooperation Initiative, and I intend to promote actively the initiative in this region.¹⁵

The Hashimoto Doctrine of 1997

Japan's diplomatic efforts to consolidate its relations with ASEAN continued after the end of the Cold War in December 1989. As the first official attempt in the post-Cold War period, Prime Minister Toshiki Kaifu (1989–91) visited the ASEAN countries in 1991 and made a policy speech in Singapore. Kaifu underscored the importance of Japan–ASEAN partnership in the following manner:

I believe that Japan and ASEAN are becoming mature partners able to look seriously at what we can do for Asia-Pacific peace and prosperity and to think and act together for our shared goals. Building upon the long years of dialogue between Japan and ASEAN, we are now able to speak frankly to each other in both the economic and political spheres. Along with continuing to work to create a climate conducive to candid dialogue in all areas, I intend to make a concerted effort for greater cooperation in all fields.¹⁶

While stressing that Japan would never again become a major military power, he emphasized in the speech the important political role that Japan

could play in the region, and stated that Japan was ready to host an international conference on the reconstruction of Cambodia when peace was restored to the war-torn country. In addressing Japan's political role, Kaifu went one step beyond his predecessors in apologizing for Japan's conduct in World War II: "I express sincere contrition for past Japanese actions which inflicted unbearable suffering and sorrow upon a great many people of the Asia-Pacific region."¹⁷

Immediately after the Kaifu visit in September 1991, Emperor Akihito paid the first royal visit to the region. Visiting Thailand, Malaysia and Indonesia – the carefully selected target countries – the Emperor reiterated the phrase: "Japan is [a] peace-loving country and would never repeat the horrors of that most unfortunate war."¹⁸ In at least one respect, the visit augured well since it came so shortly after the May visit of Prime Minister Kaifu to ASEAN. By repeatedly showing sincere remorse and repentance over its past misdeeds, the Emperor and Empress left the impression that Japan's intention was to begin a new era of trust and mutual cooperation with South East Asia.

Prime Minister Kiichi Miyazawa (1991–3) also visited the ASEAN region in January 1993 and delivered a policy speech in Bangkok, conveying Japan's commitment to the task of forging a new order for peace and prosperity in the Asia-Pacific region, as he stressed:

Japan will attach particular importance to the very process of talking with the ASEAN countries. This means that Japan will think and act together with ASEAN. I am quite confident that the wisdom and vigor of the ASEAN countries become an important pillar which supports the future of the international community, at a time when the world is searching for a new international order.¹⁹

As Japan's policy initiative, Miyazawa underscored the following four points: (1) promotion of political and security dialogue among the countries of the region to strengthen Asia-Pacific peace and stability, and to think seriously about the future vision of the region's security; (2) continued efforts to enhance the openness of the Asia-Pacific economy to promote dynamic economic development in the region; (3) active efforts to tackle such tasks common to humankind as promoting democratization, and pursuing development and environmental conservation in tandem; and (4) Japan–ASEAN cooperation to build peace and prosperity in Indochina, including establishment of a forum to map out a comprehensive development strategy.²⁰

In August 1994, only one year later, Prime Minister Tomiichi Murayama (1995–6) visited the region as the first Japanese leader of a former opposition party. Visiting Malaysia, Singapore, the Philippines, and Vietnam, Murayama repeated his apologies for Japanese wartime activities. In Singapore, Murayama for the first time laid a wreath at a memorial for

victims of the Japanese occupation of Singapore. However, Prime Minister Mahathir of Malaysia told Murayama that he could not understand why Japan continued to apologize for its actions fifty years ago. Instead, Mahathir proposed that Japan should “work with us for the future.” In Vietnam, as the first Japanese prime minister to pay a visit after the unification of Vietnam, Murayama and his counterpart, Vo Van Kiet, mutually agreed to promote a friendly relationship, including the adoption of a Japanese proposal for political talks between officials at the vice ministerial level.²¹

In January 1997, despite mounting problems of the hostage crisis in Peru, Prime Minister Ryutaro Hashimoto (1996–8) visited the region and proposed the formation of a top-level forum between Japan and ASEAN involving the leaders of Malaysia, Singapore, Vietnam, and Brunei. Furthermore, in Singapore, Hashimoto delivered a policy speech, “Reforms for the New Era of Japan and ASEAN for a Broader and Deeper Partnership,” which underscored Japan’s consistent policy toward ASEAN since 1977: “As you probably remember, in 1977 then Prime Minister Fukuda launched the so-called ‘Fukuda Doctrine,’ and in 1987 then Prime Minister Takeshita proposed that Japan and ASEAN establish a new partnership. Today, I would like to deliberate with you on how Japan and ASEAN should reform their cooperative relationship in a manner suitable for a new era” (see Appendix III). Most importantly, he proposed three policies: to promote broader and deeper exchanges between Japan and ASEAN at top and all other levels; to deepen mutual understanding and to expand cultural cooperation, in order to consolidate Japan–ASEAN friendship; and that Japan and ASEAN by sharing their wisdom and experiences, should address jointly, the various problems that the international community faces as a whole.²²

So far we have seen that official visits of prime ministers have uniquely characterized Japan’s political relations with ASEAN. Even if the frequency of ministerial meetings between Japan and ASEAN does not signify anything unusual – after all ASEAN holds regular meetings with other dialogue partners as well – the almost *de rigueur* visits to the ASEAN region by Japanese prime ministers would appear to contain special implications (see Table 3.1). Compared with top-level visits by the other dialogue countries, the difference is underscored by the “closeness” of Japan–ASEAN relations.²³

Institutionalization of Japan’s ASEAN policy

It is clear that the promulgation of the Fukuda Doctrine in 1977 served as a catalyst in forging and strengthening Japan–ASEAN relations to the extent that could not have been imagined before the Doctrine. Indeed, the beginning of ASEAN’s second decade seemed to be accentuated by the Fukuda Doctrine, the third decade by the Takeshita Doctrine in 1989,

Table 3.1 Japanese Prime Ministers and ASEAN

<i>Prime Minister</i>	<i>Date of visit</i>	<i>Purpose and goal</i>	<i>Institutionalization</i>
Fukuda	August 1977	To attend the second ASEAN summit Fukuda Doctrine	Cultural Fund Industrial projects Foreign Ministers' Meeting
Suzuki	January 1981	To build a think together, work together relationship Bangkok speech	Human resource centers Trade-Investment Tourism center Regional Study Promotion program
Nakasone	April 1983	To build a deeper and firmer cooperation relationship Kuala Lumpur speech	21st Century Youth Exchange program Plant Renovation Science and Technology Cooperation program
Takeshita	December 1987 April 1989	To attend the third ASEAN Summit Takesita Doctrine	Comprehensive ASEAN Exchange program Japan-ASEAN Fund
Kaifu	January 1991	Matured partnership for a new age Singapore speech	Cambodia Conference for Reconstruction
Miyazawa	January 1993	Think together, act together relationship Bangkok speech	Forum for Comprehensive Development in Indochina
Murayama	August 1994	Partnership for further advancement	None
Hashimoto	January 1997 December 1997	Wider and deeper relationship Hashimoto Doctrine To attend Japan-ASEAN Summit	Proposal for a regular Japan-ASEAN Summit

and the fourth decade beginning in 1997 by the Hashimoto Doctrine. Most importantly, institutionalization of Japan–ASEAN relations has strengthened three elements of South East Asian regionalism, namely, North–South regionalism, multiple regionalism, and open regionalism.

Japan–ASEAN forums since 1977

Although Japan launched its first forum with ASEAN in February 1974, for the purpose of settling problems of the rubber trade, it was only in March 1977 that the current Japan–ASEAN Forum (JAF) was established, a decision that was influenced by Fukuda’s dramatic visit to the region. Unlike the previous Forums’ inclination toward negotiation, the first two meetings of the new Forum were to lay the foundation for the discussion of economic and cultural cooperation between Japan and ASEAN. The goals of the inaugural Forum in March 1977 were threefold, namely, to formulate decisions based on the areas of cooperation between Japan and ASEAN; to review and monitor the progress of cooperation between the two; and to recommend measures that would achieve the objective of expanding cooperation.²⁴ The second JAF was held in Tokyo in October, soon after Fukuda’s visit to the region. At the meeting, both sides discussed three specific areas of trade, economics, and culture and agreed that there would be a continuous examination of other areas of mutual benefit within the framework of expanded cooperation. Yet, no major agreements on these three areas of cooperation were reached, an outcome deplored by one Japanese official as undermining Japanese credibility in responding earnestly to ASEAN demands.²⁵

As one Japanese official lamented, Japan has remained reactive, and at best equivocal, in economic cooperation. From the third through the ninth meetings of JAF, the same pattern can be observed, with ASEAN asking Japan to open its market and to be more generous in foreign aid and technology transfer. Japan’s “too little, too late” response had, thus, become the bone of contention at each JAF. As such, the format of the JAF changed from the original one and came to focus on how much Japan could assist in the economic development of the ASEAN countries. As a response to ASEAN misgivings, the first Japan–ASEAN Economic Ministers’ Meeting was held in Tokyo on November 26–7, 1979.²⁶ Presenting three memoranda on trade, commodities, and investment, ASEAN asked for a vigorous Japanese initiative to rectify the imbalances in the trade pattern between the developed and the developing countries. The Japanese government concurred with the ASEAN request to establish the ASEAN Promotion Center on Trade, Investment and Tourism as a symbolic gesture of its cooperation. Beyond this measure, Tokyo failed to give any substantial boost to its economic relations with ASEAN.

Faced with one of the toughest economic crises in history and with little response from Japan, ASEAN’s frustration exploded in 1984. At the seventh

JAF in October 1984, the ASEAN leaders declared: "In the latest round of tariff reductions of the affected items, ASEAN's share of the total Japanese imports was minimal while the developed countries enjoyed the preponderant share. The ASEAN side stressed that trade was of vital importance to ASEAN and cooperation between ASEAN and Japan on trade matters should be improved."²⁷ ASEAN's contention was very clear: despite Japan's announcement of a series of market-opening measures, Japan had not addressed the specific ASEAN requests, which had been reiterated over many years of dialogue with Japan. When the eighth JAF was held in July 1986, ASEAN again stressed the problem of market access for ASEAN exports to Japan and requested an improvement in the Japanese General Scheme of Preference (GSP), the lowering of tariffs and non-tariff barriers, and the expansion of import quotas for products of interest to ASEAN countries. ASEAN also requested that Japan provide a prior consultative session on its market-opening measures and non-tariff barriers so that ASEAN interests could be taken into account in these exercises.²⁸ Similar demands were made by ASEAN at the ninth, tenth, and eleventh meetings of JAFs in 1987, 1988, and 1989, respectively.

However, the twelfth JAF held in Tokyo in September 1990 was different in that for the first time representatives of the ASEAN-Japan Economic Council (AJEC) participated in the Forum in order that the private sector's expectations and demands could be reflected. In a similar vein, the thirteenth JAF held in Tokyo in February 1993 was unprecedented in that it included political and security issues on the agenda. As the ASEAN chairman stated, "the inclusion of regional political and security issues on the agenda is most timely, and ASEAN intends to continue its contribution for the peace and stability of the region with Japan and other friendly countries."²⁹

Nonetheless, judging from the outcome of the dialogues, it may be concluded that the Forum has neither served the original purpose, nor helped to resolve the economic problems between Japan and ASEAN. Largely because of its organizational structure, the Forum has not been effective in resolving these problems. If the JAF is to discuss only economic matters between Japan and ASEAN, it is not likely to yield any significant results, simply because the representatives on both sides possess neither the authority nor the expertise to confront such issues. Economic ministers of both parties should meet more regularly, in collaboration with the JAF, or form the core of JAF itself. If the Forum is to regain its original purpose, it will be necessary to institutionalize a new forum strictly for promoting economic relations between Japan and ASEAN.

In this respect, the fifteenth JAF held in Tokyo in May 1997 began a fresh new start because both Japan and ASEAN agreed to meet annually prior to the Post-Ministerial Conference (PMC), instead of once every 18 months, to strengthen the policy dialogue mechanism. The joint statement underscored this change as follows:

ASEAN welcomed Prime Minister Hashimoto's proposal to foster closer policy-level dialogue between Japan and ASEAN, particularly among leaders. Both sides thus agreed to strengthen the present policy dialogue mechanism. In this context, the Japan-ASEAN Forum, which will play the key role in this policy dialogue, will be held in principle annually, at some appropriate time prior to the ASEAN Post-Ministerial Conference.³⁰

Similarly, the following meeting in June 1998 reconfirmed their readiness to strengthen the partnership for the next century, as the joint press statement stipulates:

Both sides welcomed the progress of cooperative measures proposed by Prime Minister Hashimoto such as ASEAN-Japan Joint Efforts to Address the Economic Difficulties of Asia, ASEAN-Japan Round Table on Development, Japan-ASEAN Program for Comprehensive Human Resources Development, South-South Development Cooperation, Multinational Cultural Mission, ASEAN-Japan Intellectual Symposium and Japan-ASEAN Counter-terrorism Conference. They agreed to further promote partnership through active follow up of each cooperative measure proposed in the initiatives.³¹

Japan-ASEAN Foreign Ministers' Meetings since 1978

Initiated by Foreign Minister Sunao Sonoda, a political get-together between Japan and ASEAN was institutionalized in June 1978, with the intent of later expanding to include the participation of the United States, Canada, Australia, New Zealand, and the European Community.³² It should be stressed here that Japan's proposal for this meeting led to the institutionalization of the Post-Ministerial Conferences (PMC). Since then, ASEAN has held a regular conference with these dialogue partners immediately after each meeting of its foreign ministers. Among other things, the Foreign Minister's Meeting (FMM) between Japan and ASEAN focused on the relevance of Japan's economic aid to Hanoi as a crucial factor in maintaining stability in South East Asia. Japan had insisted that its economic assistance was a political lever, while ASEAN warned of the danger of strengthening its communist neighbor. Although this disagreement was settled in ASEAN's favor in 1980, many on the Japanese side felt that the further isolation of Vietnam would only result in more adventurism on its part, such as the invasion of Cambodia in 1978.

After the intervention, Japan supported ASEAN's stand on the Cambodian issue. While following the ASEAN dictate in resolving the conflict, Japan nonetheless maintained its dialogue with Hanoi. At the third FMM in June 1981, Sonoda disclosed Japan's formula for a "comprehensive political settlement" of the Cambodian problem:

(1) in the military aspects, we contemplate, as temporary measures (a) the introduction of peace-keeping forces; thereby to enforce, (b) an immediate ceasefire, (c) the phased withdrawal of the Vietnamese forces in accordance with a prearranged schedule, (d) the regrouping of all the Cambodian armed elements in designated locations for their disarmament, and (e) the maintenance of peace and order in the country; (2) in the political aspects, I deem it essential to introduce a United Nations election control team so that a free election may be held under its supervision; (3) it is imperative for major countries concerned both inside and outside the region to guarantee the outcome of the above-mentioned military and political measures through certain international arrangements; (4) as a humanitarian measure, I wish to propose the establishment of a “Center for the Repatriation of Cambodian Refugees” in certain key areas in Cambodia.³³

Furthermore, by calling for an international conference on Cambodia, Sonoda expressed Japan’s readiness to extend as much cooperation as possible in close coordination with ASEAN, if and when the conflict made headway toward a solution in this direction.

However, during the following two years, there were no signs of settlement of the conflict. For instance, at the fifth and sixth FMM, Japanese foreign ministers did not even refer to the conflict in their statements. Differences between Japan and ASEAN over measures to alleviate the conflict prevented Japan from playing a more active role. As a result, Japan became more concerned with economic and financial contributions for the reconstruction of the postwar economies of Indochina. It was only in 1984 that Foreign Minister Shintaro Abe spelled out rather vigorously Japan’s policy toward the conflict by outlining three principles, as follows: (1) Japan will bear the expenses for peace-keeping activities; (2) Japan will provide personnel and facilities for an election to be held under international supervision; and (3) Japan will provide economic assistance to the three Indochinese countries following the realization of peace in Cambodia.³⁴ These so-called Abe principles augured well for smoothening the process of conflict resolution.

In June 1987, Foreign Minister Tadashi Kuranari propounded the idea of a “partnership with a global perspective” between Japan and ASEAN, while keeping a low-profile posture over Cambodia, by the following four steps: (1) encouraging a dialogue between the parties concerned; (2) taking concrete measures for the smooth realization of troop withdrawal and self-determination; (3) guaranteeing the future status of Cambodia which should be free, democratic, peaceful, neutral, and non-aligned as set forth in the eight-point proposal; and (4) assisting in the economic reconstruction of Indochina following the restoration of peace.³⁵ The repeated advocacy of these measures in resolving the Cambodian conflict underscored Japan’s

dilemma and illustrates the limitations on Japanese foreign policy in the political field.

Intra-ASEAN differences over the Kampuchean issue were amply publicized in the years leading to its resolution. For instance, Thailand and Singapore, representing the “tough” approach, favored a policy of confrontation while the “soft” approach, promoted by Indonesia and Malaysia, advocated a policy of compromise. Japan’s policy was closer to the “soft” approach but, as long as the split within ASEAN continued, the chances of success for a Japanese initiative in the conflict were nil. Despite this drawback, however, the annual FMM successfully served as a political forum because it promoted closer coordination between Japan and ASEAN. And, as long as it continues to exert effective influence on the major external powers, including Japan, ASEAN will undoubtedly benefit from this annual gathering.

After the resolution of the Cambodia conflict, Japan injected a new idea into its relations with ASEAN, as Foreign Minister Kono stated at the ASEAN Post-Ministerial Conference in August 1995:

Based on the recent evolution of ASEAN, Japan regards it as particularly important at this stage that the ASEAN countries and Japan should deepen policy dialogues with both the global and regional issues on the agenda by attaching particular importance to the ASEAN Post-Ministerial Conferences, and laying great value on the vice-ministerial talks of the Japan–ASEAN Forum as well as our various bilateral talks with the ASEAN countries.³⁶

In a similar vein, Japanese foreign ministers expressed Japan’s readiness to reconstruct its relations with ASEAN at the twenty-ninth and thirtieth FMM in 1996 and 1997, respectively. In July 1999, furthermore, Foreign Minister Komura pledged that Japan would assist in the implementation of the Hanoi Action Plan, a six-year program for attaining the medium-term targets of ASEAN Vision 2020.³⁷

Japan–ASEAN Economic Ministers’ Meetings since 1979

The Japan–ASEAN Economic Ministers’ Meeting was first institutionalized in November 1979 on a request basis. The first Economic Ministers’ Meeting (EMM), held in Tokyo, covered various issues of mutual interest: trade, commodities, investment, transfer of technology, and development assistance between the two, as well as the world economic situation as a whole. The ASEAN side was represented by the economic ministers of each country as well as the Secretary-General of ASEAN and the Japanese side was composed of five ministers: Foreign Affairs, Finance, Agriculture, International Trade and Industry, and Economic Planning Agency.

Following the inaugural meeting, a second meeting was held in June 1985, but failed to achieve any substantial results. ASEAN ministers criticized the atmosphere of the meeting as “overly formal.”³⁸

As such, EMMs were largely symbolic in nature and dominated by the Foreign Ministry, at least until 1992, when Japan and ASEAN agreed to hold annual meetings between ASEAN economic ministers and Japan’s MITI. The first meeting (AEM-MITI) was held in Manila in October 1992 and both the ASEAN economic ministers and Japan’s MITI exchanged views on current global and regional issues relating to trade, investment, and other areas of potential cooperation between Japan and ASEAN. They also considered various policy measures to further expand the free flow of trade and investment between the two and to contribute to the strengthening of the multilateral trading system and continued prosperity in the region. More specifically, ASEAN requested that the following four measures be taken: (1) the ASEAN-Japan Experts’ Group meet to consider and review the progress of the implementation of the ASEAN-Japan Development Fund (AJDF) as well as the additional needs of ASEAN; (2) the institution of a program for improving intellectual property protection and the system for industrial standardization and quality control in ASEAN which would be necessary for smoother technology transfer to ASEAN countries; (3) the establishment of a comprehensive program for developing small and medium-sized enterprises in ASEAN; and (4) the application of MITI’s Green Aid Plan to provide technical support that will lead to the improvement of the overall investment conditions of ASEAN member countries.³⁹

At the second meeting held in Singapore in October 1993 – as in the first meeting – both sides exchanged views on, for example, developments in the international economic scene, namely the Uruguay Round, North American Free Trade Area, ASEAN Free Trade Area; the upgrading of ASEAN industries; and possible Japan–ASEAN cooperation with other countries. At this meeting, MITI presented two future policy directions for Japan–ASEAN cooperation. The first was the upgrading of industries in the ASEAN region, and the second was the policy coordination for the economic reconstruction of Indochina.⁴⁰ In terms of Japan–ASEAN multilateral cooperation, the latter was significant because Japan and ASEAN formally discussed cooperation in Indochina for the first time. They agreed to contribute toward the process of reconstruction and structural adjustment with a view to integrating the economies of Indochina into the mainstream of the international trading system. Toward this end, the AEM-MITI meeting produced a working group on economic cooperation in Indochina at its third meeting in September 1994. At the fourth meeting a year later, the Interim Report by the working group was approved, which in turn led to policy recommendations by the working group in September 1996.

Thus, by the fifth meeting in Jakarta in September 1996, both Japan and ASEAN could reaffirm their commitments to maintain closer economic

cooperation with a review of the progress made in areas of economic cooperation. Among the cooperation activities discussed were: (1) a program of cooperation involving supporting industries within ASEAN countries; (2) the Cambodia-Laos-Myanmar working group; (3) the ASEAN-Mekong Basin Development Cooperation Ministerial Meeting; and (4) the CEPT scheme for AFTA and ASEAN Industrial Cooperation (AICO). The ministers also discussed and reviewed the progress in international economic issues, such as APEC, ASEM, and the WTO ministerial conference in Singapore.⁴¹

In the midst of the East Asian financial crisis, Japan and ASEAN decided to upgrade their economic relations. In November 1998, the first AEM-MITI Economic and Industrial Cooperation Committee (AMEICC) was held in Bangkok and agreed to discuss how to build infrastructure and simplify customs procedures for a better investment environment.⁴² More specifically, Japan and ASEAN stressed the importance of conducting intensive studies on promoting four major industries in the region, namely, automobiles, consumer electronics, agro-industry, and chemicals.

The ASEAN Committee in Tokyo and the ASEAN Center

There are two ASEAN bodies in Japan, namely, the ASEAN Committee in Tokyo (ACT), composed of ASEAN Ambassadors who reside in Tokyo, and the ASEAN Promotion Center on Trade, Investment and Tourism. The ACT, much like other committees that reside in the dialogue partners' capitals, functions as a pressure group rather than a negotiating venue in the formal sense, because of its loose structure and lack of decision-making authority. Nevertheless, the role played by this committee is the most direct means for ASEAN to voice its concerns to the Japanese government. For instance, when a major Japanese company, Nissho Iwai, started up its economic activities in Vietnam, the ACT handed over the following *aide-mémoire* to the Japanese government on April 23, 1987:

ASEAN feels it must again bring a matter which is of grave concern to ASEAN to the attention of the Japanese government, i.e., the recent comprehensive agreement of wide-ranging economic cooperation reached between Nissho Iwai and Vietnam. If Japanese private business companies such as Nissho Iwai are allowed to provide credit and transfer technology to Vietnam, such undertakings will severely undermine the just cause of ASEAN."⁴³

The Japanese Foreign Ministry moved to contain the damage to its ties with ASEAN by calling for cooperation from Japanese companies. Nissho Iwai eventually decided to terminate all of its business with Hanoi.

The ASEAN Center was set up in May 1981, based on the Agreement Establishing the ASEAN Promotion Center on Trade, Investment and

Tourism, which was signed by the five original members of ASEAN and Japan. In June 1990, Brunei officially acceded to the Agreement and became the seventh member of the Center, and in February 1998, Vietnam became the eighth member. While the ASEAN Center is an independent organization from the ASEAN Secretariat in Jakarta, it maintains close contact with ASEAN countries through their capitals, their embassies in Japan, as well as related agencies in the fields of trade, investment, and tourism. Its unique objective is to disseminate economic data and information for promoting Japan–ASEAN economic relations.⁴⁴

From this analysis, it is clear that Japan and ASEAN have gradually forged an institutionalized framework for their *modus operandi*. For consultations at the top-level, there are five official channels for conducting Japan–ASEAN relations: the Japan–ASEAN Forum, the Foreign Ministers’ Meeting, the Japan–ASEAN Economic Ministers’ Meeting, ASEAN’s Tokyo Committee, and the ASEAN Center.⁴⁵ Of the five, the Japan–ASEAN Forum, established in March 1977 and reactivated in May 1997, is the most important because of its emphasis on overall relations including politico-economic and cultural matters.⁴⁶

Images and realities in Japan–ASEAN relations

It is a well-known fact that, to survive, Japan needs South East Asia in order to secure natural resources and potential markets. Does this economic reality lead to closer relations between the two? Put another way, is it true that the more the economic transactions, the closer and friendlier the relations? Can it be ascertained if Japan–ASEAN relations have deepened as a result of the Fukuda Doctrine? Our examination in this chapter suggests that since the Fukuda Doctrine was a political tool rather than one to secure traditional economic interests, the effect of the Doctrine will be qualitative in nature and not quantitative, in terms of economic transactions. To substantiate this, we examine two kinds of interrelated statistics associated with Japan–ASEAN relations. To begin with, Figure 3.1 indicates an overall trend of *Asahi* newspaper coverage on ASEAN in Japan reaching a peak between 1977 and 1997. From Figure 3.1, it is apparent that ever since 1977 the word “ASEAN” has replaced “South East Asia” in Japanese foreign policy parlance, and that Japanese interest in ASEAN has increased remarkably.

Several other interesting facts can be emphasized. First, until 1976, while reports on South East Asia were mainly related to individual countries in the region, reports on ASEAN were extremely limited in number and were directly related to the annual ministerial meeting. After 1977, Japan-related reports exceeded those of ministerial meetings, up until 1995. In other words, before the announcement of the Doctrine, ASEAN reports in Japan were political in nature and economic issues were scarcely reported

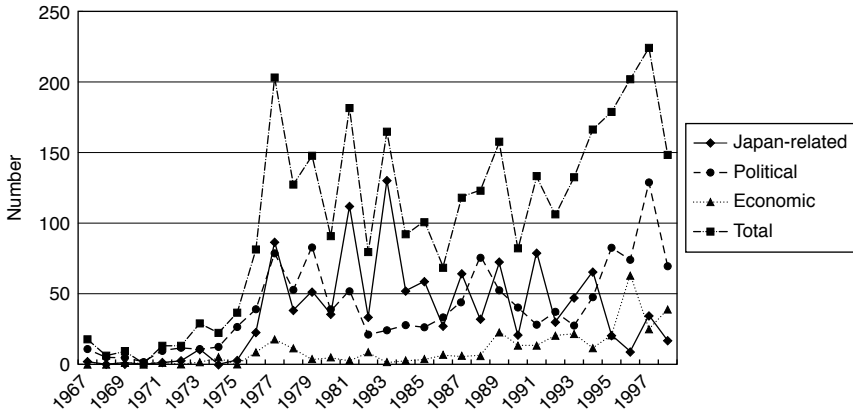


Figure 3.1 Japanese newspaper coverage on ASEAN.

Source: *Asahi Shimbun Shukusatsuban*, August 1967–December 1998.

in Japan even though the ASEAN’s Economic Ministers’ Meeting had been set up in 1975.

Second, we can observe a steady pattern of Japanese reporting on ASEAN. For instance, during June and July there are extensive reports on the ministerial and post-ministerial meetings, and then later on the Japan–ASEAN Forum. One of the reasons for the increased reporting on ASEAN after 1977 could be attributed to a couple of factors, namely, the institutionalization of ASEAN and the outbreak of the Cambodian conflict. Another reason could be the institutionalization of Japan–ASEAN relations, such as the Japan–ASEAN Forums and Japan–ASEAN Foreign Ministers’ Meetings held since 1978. In a similar vein, the increase in reporting since 1992 was due to the newly established fora, such as the ASEAN Regional Forum, the Asia-Europe Meeting, and regularized ASEAN Summit meetings. After 1995, Japan-related reports declined, overtaken by those of economic and political aspects.

Third, since 1977 the *Asahi* newspaper has often raised ASEAN in its editorials. If it can be said that the more often a subject is taken up in editorials the more important it is, then ASEAN seems to have become increasingly significant to the Japanese public. For instance, there were 15 editorials in 1978, more than one a month, and all contained positive coverage of ASEAN and Japan–ASEAN relations, for instance, “Elections in Three ASEAN States and Japan” (March 11), “To Stabilize Relations with ASEAN” (June 4), and “Heart-to-heart Relations with ASEAN” (June 19). This coverage seems to be related to the advent of “ASEAN year” in 1978.

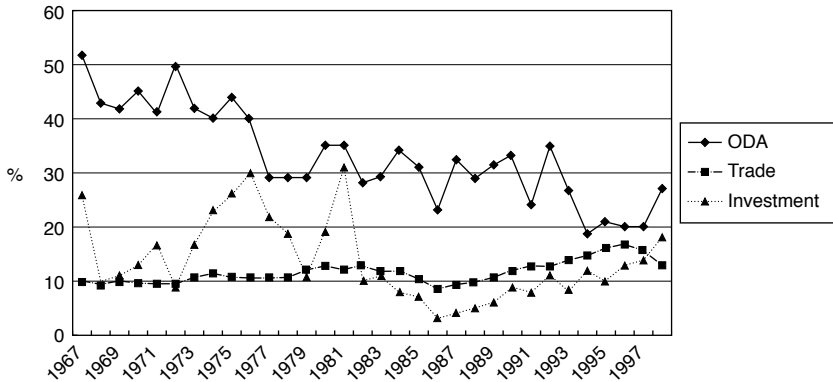


Figure 3.2 ASEAN's share in the Japanese economy.

Sources: for ODA, Gaimusho, *Wagakuni no seifu kaihatsuenjo*; for investment, *Sekai to Nihon no kaigaichokusetsu toshi*; for trade, Tsusansho, *Tsusho hakusho*, 1968–99.

Last, we can observe two noteworthy trends in the reports. One is the lack of reporting about cultural aspects of ASEAN, although the Fukuda Doctrine stressed the need to promote “heart-to-heart” understanding (see Appendix I). The other trend is that reports on the ASEAN economy gradually increased in the 1990s. This fact is perhaps related to increased economic cooperation, especially economic issues of APEC and ASEM, both within the ASEAN region and also with extra-regional partners.

If the Japanese public has become more attentive as a result of increasing press coverage of ASEAN since 1977, then Japan–ASEAN relations should likewise indicate increased and deepened interaction, if we expect that the two go hand in hand. Figure 3.2, however, indicates a contrary trend. It is clear that ASEAN influence in Japanese economic relations has been declining ever since 1967. Specifically, Japan's aid and investment sharply reduced in the late 1990s, although Japan's exports and imports remained almost the same. Does this mean that ASEAN is becoming less and less important to Japan?

Contrary to the general trend of decline in overall economic relations, one study reveals that when we measure Japan–ASEAN economic relations by absolute volume, we can observe a gradual but steady growth of trade, investment, and aid relations between Japan and ASEAN since 1978. For instance, total trade volumes have been increasing since 1978 and even more so since 1987. In a similar vein, Japan's ODA to ASEAN has steadily increased since 1978 and, especially since 1987, the rate of increase has been remarkable.⁴⁷ From Figures 3.1 and 3.2, we can conclude that quantitative elements *per se* do not conclusively indicate whether Japan–ASEAN relations are being strengthened or not, and therefore we need to look more carefully at the qualitative aspects of Japan–ASEAN relations.

Japan's coming to terms with its history

The closer the relations, however, the more difficult it is for Japan to avoid settling the historical issue. It was because of this realization that, in May 1991, Prime Minister Kaifu expressed his "sincere contrition" for the suffering Japan had caused in Asia during the Second World War. At the same time, he averred that in order to teach Japan's younger generations about the wrongdoings of the Japanese Imperial Army, it was of urgent necessity to "ensure that young Japanese would gain a full and accurate understanding of modern and contemporary Japanese history through their education in school and in society at large."⁴⁸ Likewise, Prime Minister Hosokawa stated that "if the Japanese government and people base their future actions on this acknowledgement of historical facts, there will be a reconciliation between Japan and its neighbors which will lead to increased confidence and cooperation between all of us. Such openness will help us put the past behind us."⁴⁹

However, the careless statements of certain conservative leaders stultified these sincere efforts. For instance, Justice Minister Shigeto Nagano of the Hata government stated that "the 1937 Nanking Massacre by the Japanese army never happened and that the Nanking Massacre and the rest were a fabrication."⁵⁰ Although Prime Minister Hata forced Nagano to resign, the incident revealed not only the existence of some Japanese who have not admitted and perhaps never will admit that Japan did anything wrong in World War II, but also the lingering fears and suspicions of many Asian states. If and when Japan takes a more active political, and especially security role in the region, these factors must be taken into account.⁵¹

Recognizing the importance of history and its impact on the present, Prime Minister Murayama decided to come to grips with the issue in the form of a Diet resolution in June 1995. The resolution was the first of its kind in that it explicitly disclosed the Japanese Diet's view of Japanese atrocities committed during the Second World War. The resolution, in part, said that:

Solemnly reflecting upon many instances of colonial rule and acts of aggression in the modern history of the world, and recognizing that Japan carried out those acts in the past, inflicting pain and suffering upon the peoples of other countries especially in Asia, the members of the House [of Representatives] express a sense of deep remorse. We must transcend the differences over historical views of the past war and learn humbly the lessons of history so as to build a peaceful international society.⁵²

Although it failed to include such crucial terms as "apology" and "renunciation of war," the resolution could be deemed as Japan's first effort to

Table 3.2 Opinion polls on Japan's role (%)

Q1	<i>Do you think that Japan has become a trustworthy country in Asia?</i>				
	Indonesia	Philippines	Singapore	Thailand	
Yes	85	55	62	79	
No	14	43	31	10	
Q2	<i>Do you think that Japan's aid contributes to your country's economy?</i>				
Yes	88	74	69	71	
No	12	24	27	19	
Q3	<i>Do you support Japan's PKO participation in various places in the world?</i>				
	Indonesia	Malaysia	Thailand	Vietnam	
Yes	66.9	73.6	73.5	61.5	
No	8.0	12.9	21.2	12.7	
Q4	<i>Do you think what the Japanese military did in your country is still an obstacle to the relationship between your country and Japan?</i>				
Yes	11.8	25.2	35.3	16.3	
No	74.1	66.7	60.1	69.0	
Q5	<i>Do you think that Japan contributes positively to the development of Asian countries?</i>				
	Indonesia	Malaysia	Thailand	Vietnam	
Yes	70.2	74.9	84.5	83.9	
No	15.4	18.6	14.4	8.0	
Q6	<i>Do you think that Japan's aid contributes to your country's economy?</i>				
Yes	91.1	86.3	86.6	88.8	
No	2.4	9.3	13.3	6.7	
Q7	<i>Do you think that Japan will be a military threat?</i>				
	Indonesia	Malaysia	Philippines	Singapore	Thailand
Yes	14	38	21	36	34

Sources: Q1–Q2, *Asahi Shimbun*, August 13, 1995. Q3–Q4, *Yomiuri Shimbun*, May 23, 1995. Q5–Q6, *Yomiuri Shimbun*, September 19, 1996. Q7, *Nihon Keizai Shimbun*, April 20, 1997.

address its tainted image as a trustworthy partner in South East Asia. The opinion polls given in Table 3.2 can be cited as an encouraging sign.⁵³

Summary

The intent of this chapter was to establish the Fukuda Doctrine as a turning point in Japan–South East Asian relations. For, in this Doctrine, we can witness the beginning of Japan's dynamic diplomacy in close collaboration with ASEAN. Although the announcement was in one respect a response to the declining American presence in the region after their defeat in the Vietnam War, the Japanese government since Prime Minister Fukuda has taken up a political role in the region and challenged the then

prevalent notion of “an economic giant but political pygmy.” In the process, the ASEAN connection has become the *sine qua non* of Japan’s international position. This commitment has to be consistently carried out since it is the only official commitment ever promulgated by the Japanese government except for its important relations with the United States.

In tandem with Fukuda’s principle of regional peaceful coexistence, Japan has sought to strengthen ASEAN politically and economically, while using economic aid and assistance to lure Vietnam out of the Soviet orbit and moderate intransigent Vietnamese behavior. Thus, contrary to the traditional reactive nature of Japan’s foreign policy, we can conclude that its policy was assertive and dynamic during this period. The advent of an “ASEAN year,” the institutionalization of the Japan–ASEAN Foreign Ministers’ Meeting in 1978, the Takeshita Doctrine, and the Hashimoto Doctrine are noteworthy examples. It should also be stressed that the announcement of the first successful Doctrine in Japanese foreign policy was due mainly to joint *nemawashi* between Japan and ASEAN, thereby planting the seed for nurturing a networking mechanism for the first time in their relations. It is quite a significant development that the resulting Japan–South East Asian partnership laid a foundation for the region’s *modus operandi*, based upon the three elements of North–South regionalism, multiple regionalism, and open regionalism. It is in this context that the consolidation of Japan–ASEAN relations is indeed one of the outstanding achievements of postwar Japanese diplomacy.

4 **Japan's economic networking**

ODA as an active foreign policy

Aid to ASEAN is singular in terms of priority and difficulty. No other recipient, even China, has the same status. No other donor but Japan is expected to maintain the same levels of generosity and initiative. No other donor is the objective of so much caution on the part of its beneficiaries. But no other set of aid relationships has so vividly vindicated Japan's particular brand of aid policy.

(Alan Rix, 1993)¹

Japan as top donor

In 1989, Japan's official development assistance (ODA) for the first time surpassed that of the United States, thus establishing Japan as the largest donor country in the world. Compared to the lack of interest shown in 1985, when Japan's net financial assistance to developing countries became the world's largest, Japan's ODA policy subsequently attracted much greater attention. In a nutshell, the objectives of Japan's ODA program and the rationale for its dramatic expansion became more important once Japan was seen as a major economic power.

For Tokyo, the use of its foreign aid is necessary in promoting an expanded international role. In other words, Japan's aid policy constitutes an integral part of its efforts to effect the internationalization of the country, especially since Japan has renounced a military role. Therefore, it is not an exaggeration to say that ODA is the only diplomatic card to play in meeting world demand for Japan's greater leadership commensurate with its economic power. For recipient countries, Japan's aid has become a critical element in boosting their economic development, given the so-called "aid-fatigue" on the part of other donor countries.

Many scholars have attempted to analyze Japan's aid ascendancy, in response to the conventional wisdom which holds that Japan's ODA would be circumscribed without resolving three main impediments: the lack of an aid philosophy; the immobility of aid administration; and the meager number of aid experts and personnel. In recent years, two explanations have been put forward: foreign influence and neo-mercantilism. The former

argues that Japan's aid ascendancy is the result of foreign (primarily US) pressures, while the latter argues that Japan's ascendancy is motivated by Japan's self-interest to expand export and investment markets for Japanese firms.²

In this chapter, we contend that these conventional interpretations can explain Japan's ODA policy in the 1960s and 1970s rather well, but then they suffer from shrinking evidence. Alternatively, we argue that Japan's aid policy has been fairly consistent, shared by the government ministries concerned and supported by the business community in order to achieve the following basic aims: to replace the old impression of Japanese military imperialism; to maintain Asia as an important market for Japanese products and supplier of raw materials to Japan; and to consolidate its leadership position in South East Asia and pave the path for Japan's overall ascendancy in East Asia. In so doing, we reveal the unique features of Japan's foreign aid toward the major countries of South East Asia, that is, Japan's economic networking or ODA as an innovative foreign policy. The historical evolution of Japan's ODA policy is examined and also its impact on the recipients, especially the Association of South East Asian Nations (ASEAN). Finally, the outcomes of Japan's ODA policy in the 1990s are discussed.

Evolution of Japan's aid policy

Broadly speaking, the evolution of Japan's aid policy has four phases: the preparatory phase, 1954–64; the initial phase, 1965–76; the expansion phase, 1977–88; and the top-donor phase, from 1989. During the first phase, Japan completed its administrative system of foreign aid, with war reparations reflected as a form of aid. The second phase saw Japan's fully-fledged foreign aid promoting economic development in South East Asia, thereby benefiting Japanese exports. The third phase, initiated largely by Prime Minister Takeo Fukuda, rapidly expanded foreign aid as a way to fulfill Japan's international responsibility through its special interest in ASEAN.³ Before going into the substance of our discussion, that is the fourth phase as top donor, let us examine the evolution of Japan's aid policy in more detail.

Pre-top donor phases (1954–88)

Japanese official foreign aid can be said to have started with indemnity payments to Asian countries that were imposed by the 1951 San Francisco Peace Treaty. Actual payment began with the first reparations agreement with Burma in 1954 and also Japan's participation in the Colombo Plan in the same year. The bulk of Japan's foreign aid consisted of reparation and "quasi-reparation" payments to South East Asian countries. Where countries relinquished their claims for reparations, they were provided with

economic cooperation grants. Because these payments were used for economic assistance, they were listed by Japan as part of its official aid to Asian countries.

The first White Paper on Economic Cooperation issued by the Ministry of International Trade and Industry (MITI) in 1958, was quite specific in Japanese aid objectives: economic cooperation was to serve two purposes, namely, the promotion of stable markets for Japanese goods, and the securing of reliable sources of raw materials. In a similar vein, the “Asia-centered diplomacy” launched by Prime Minister Kishi in 1957 further strengthened the objectives of Japanese foreign aid. It indicated that despite Japan’s increasing economic and diplomatic relations with the United States, the South and South East Asian countries were regarded as exceptionally important to Japan in its quest to realize the three major diplomatic goals of prosperity, security, and recognition as a leading member of the region and global community.⁴

Bureaucracy then became the main determinant of the articulation and execution of Japanese foreign aid. As an important link between Japan and developing countries the Ministry of Foreign Affairs (MFA), MITI, the Ministry of Finance, and the Economic Planning Agency were all involved with the foreign aid program at the end of the 1950s. Two major Japanese aid-implementing institutions were established: the Overseas Economic Cooperation Fund (OECF) in 1961 and the Overseas Technical Cooperation Agency (OTCA) in 1964, later reorganized as the Japan International Cooperation Agency (JICA) in 1974. The main activity of OECF was to supplement the Export-Import Bank as a source of long-term, low-interest capital assistance loans to developing countries, whereas OTCA was responsible for the execution of official technical cooperation activities.

Japan’s foreign aid in a true sense of the term started in 1965–6, when Tokyo recorded its first surplus in the balance of payments and determined to promote a policy of regional development centered on South East Asia. Indeed, owing to the fact that Japan’s ODA facilitated greater trade and economic growth in Japan, the Japanese economy performed so unexpectedly well throughout the 1960s that in 1968, Japan became the second-largest free-market economy in the world. It is also important to note that the United States entered the second Indochina war and emphasized the need for greater South East Asian regional cooperation, as epitomized by former President Johnson’s Baltimore speech in 1965. As it had done during the preparatory phase, the US provided a conducive environment for the Japanese in the region. Stirred by this development, the Japanese government took vigorous initiatives in promoting regional bodies, including the Ministerial Conference for the Economic Development of South East Asia, the Asian Pacific Council, and the Asian Development Bank.⁵ Hence, it is the beginning of Japan’s aid as an active and innovative foreign policy.

During the early 1970s, three significant events affected the content and direction of Japan's foreign aid. The first was the advent of superpower *détente* as exemplified by the then US President Nixon's dramatic visit to China in 1972. When *détente* came to Asia and the withdrawal of American forces from Indochina became imminent in the early 1970s, the Japanese government decided to extend, albeit modestly, its aid to Communist countries, including Mongolia in 1973 and Vietnam in 1975. The second event was the oil crisis of 1973, which brought home the fact that a stable supply of energy had to be secured to ensure Japan's national interest, that is, economic growth. Tokyo immediately began to channel its aid funds to resource-rich countries and nations located along shipping routes. As a result, Japan's aid to non-Asian countries, especially the Middle East, began to increase. The third event was the anti-Japanese movements in early 1974, which erupted during Prime Minister Tanaka's visit to South East Asia. The event led Japanese leaders to review Japan's foreign aid and soon efforts to improve conditions of yen loans and to undertake untied aid were initiated.

In many ways, the year 1977 was a turning point in Japanese foreign aid policy. Japan's ODA to South East Asia for the first time surpassed that of the United States, while Japan's reparation payments came to an end in 1977. In addition, the year saw the establishment of the Japan-ASEAN Forum in March, the disclosure of an "aid-doubling plan" in May, the proclamation of the Fukuda Doctrine in August, and finally, the announcement of the Foreign Ministry's first white paper on economic cooperation in December. Apparently, these policies and measures were aimed at filling the vacuum caused by the end of the Vietnam War in 1975 and the accompanying gradual withdrawal of an American presence in the region – namely Japan's new role in post-Vietnam War South East Asia. It was because of this changing environment that Japan came to regard foreign aid as playing a central role in its overall foreign policy. Toward this end, two types of Japanese initiatives can be identified. The first adopted was the enactment of the so-called "aid-doubling" plan (known in Japan as "Medium-Term Target") in 1978. The second initiative was intended to utilize foreign aid as part of a "comprehensive national security" plan.

The first aid-doubling plan was officially decided in 1978. It was successfully implemented as Japan's ODA (\$1.4 billion) in 1977 was more than doubled by the end of 1980 to \$3.3 billion. Similarly, but implementing a different time span, the Japanese government initiated the second doubling plan in 1981, which was to double the sum of the previous five years (1976–80) to \$21.36 billion, by the end of 1985. The actual amount realized was \$18.07 billion, with an achievement ratio of 84.6 percent.⁶ The third plan, announced in September 1985, was to increase ODA by more than \$40 billion within seven years. Consequently, the disbursement of ODA in 1987 reached \$7.5 billion and the 1988-budget allocation was

nearly \$10 billion, which led Japanese officials to conclude that the target would be fulfilled four years early.⁷ Thus, a new plan was announced in 1988, which proclaimed that the total sum of disbursement during the previous five years (1983–7) would be doubled by 1992. This was duly achieved.

The second initiative was to make foreign aid an integral part of “comprehensive national security” in Japanese foreign policy. In parallel with the early efforts by MITI, the Study Group on Comprehensive National Security, appointed by the late Prime Minister Ohira, submitted its report to the government in July 1980.⁸ The adoption of the economic security concept was a high point in the evolution of Japan’s foreign and security policy. “Comprehensive national security” necessitates that Japan use a blend of economic, political, and military tools to maintain its security. In particular, the concept specifies that Japanese economic assistance to key countries in strategically important areas, such as Egypt, Turkey, Pakistan, and Thailand, be regarded as a contribution to the shared security interests of Japan and the United States.⁹ In other words, the Japanese came to believe that the political, economic, and social stability of developing countries is indispensable to the maintenance of global peace and stability. As such, this concept has gained wide public support and thus helped the Japanese government to increase its national budget for foreign assistance at substantially higher rates than the growth of the overall national budget.

Top-donor phase (from 1989)

Due to the consecutive ODA-doubling plans, Japan became the top donor in 1989 and, although the following year saw a come-back of the United States as top donor, Japan has remained the largest donor country since then (see Figure 4.1). As the top donor, Japan soon adopted the so-called ODA Charter in June 1992, which stresses four basic aid orientations:

- (1) the imperative of humanitarian considerations, (2) recognition of the interdependent relationships among member nations of the international community, (3) the necessity for conserving the environment, and (4) the necessity for supporting self-help efforts of developing countries.¹⁰

Officially declaring Japan’s aid as an aid with “political conditionality,” the Charter set forth a mechanism and four principles that are essential in executing Japan’s ODA. The mechanism consists of rewards and punishments. Positive rewards would be used for countries adhering to the principles, while Japan would employ “punishments” to suspend or reduce aid in response to a recipient country’s noncompliance with the principles. These four principles are: first, to pursue environmental conservation and development in tandem; second, to avoid any use of ODA for

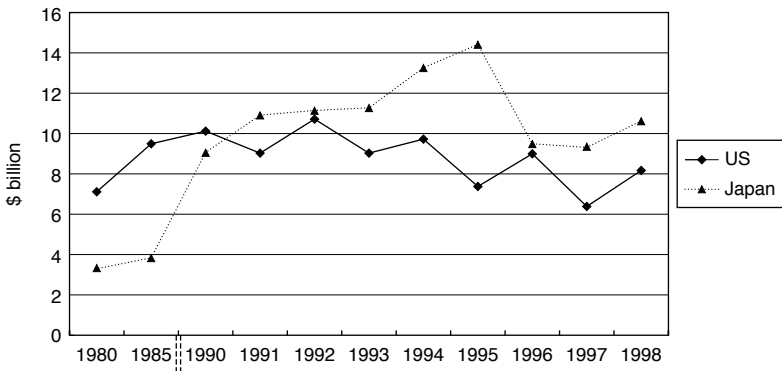


Figure 4.1 Japan as top donor.

Source: Gaimusho, *Wagakumi no seifu Kaihatsuenjo*, 1981–99.

military purposes or for aggravation of international conflicts; third, to pay full attention to trends in recipient countries' military expenditures, their development and production of mass destruction weapons and missiles, their export and import of arms; and fourth, to pay full attention to efforts for promoting democratization and the introduction of a market-oriented economy, and the situation regarding the securing of basic human rights and freedoms in the recipient country.¹¹

With the basic principles set forth for the first time in Japan's aid policy, Tokyo announced a new medium-term target, which covered the five years from 1993 through 1997. This target was put in place to further enhance Japan's contribution to the world through the expansion of its ODA, specifically, the disbursement of \$70–75 billion with an improved ODA/GNP ratio.¹² In August 1995, furthermore, Japan proposed to the United Nations Working Group on an Agenda for Development that included the following points: Japan's strong confidence in the applicability of the East Asian development model to other developing countries; Japan's unique approach to foreign aid, including emphasis on recipient countries' self-help efforts and the country-specific approach; and the importance of democracy, good governance, and the role of women as guiding principles for development.¹³ Given the mounting problems in implementing the new strategy for Japan's ODA, it remains to be seen, however, whether or not the concept of "software aid" is likely to become a mainstream in Japan's economic assistance policy.

The nature of Japan's ODA

The above historical analysis suggests several distinct characteristics of Japan's ODA policy.¹⁴ During the first phase, aid took the form of war

reparations, which was used for expanding Japan's exports and re-establishing economic relations with recipient countries. In addition to indemnity payments, Japan began to use tied aid to secure raw materials from South and South East Asian countries and to create an important market for its products. More importantly, Japan's ODA helped Japanese corporations to penetrate the Asian markets.

The second phase saw Japan steadily increasing its foreign aid as a means to fulfill a responsible role of a developed country, thereby promoting a policy of regional development centered on South East Asia. Although guarded by domestic economic interest, Japan's foreign aid during this period began to change its objective so as to deal with Third World problems. As a result, the acceptance of Japan as a responsible member of the region was largely achieved, and furthermore served to enhance Japan's role in the international community.

The third phase was characterized by the concept of comprehensive national security as well as Japan's international contribution. It is because of this change in Japanese foreign policy orientation that aid has become a strategic instrument, thereby "politicizing" Japan's foreign aid. As one diplomatic white paper so cogently put it in 1983: "Contribution to the strengthening of economic, social and political resiliency through economic cooperation deters domestic confusion, conflicts resulting from such confusion, or foreign interventions in the Third World nations. It is in this sense that ODA economic cooperation is not merely Japan's responsibility to international society but also a vital part of our comprehensive security policy."¹⁵ As a result, the Japanese government vigorously implemented the so-called "aid-doubling plan," which eventually elevated Japan to its status as the world's leading aid donor in 1989. No other donor but Japan provides aid to more than 150 countries, of which 55 countries received the largest assistance from Japan in 1995 and 1997.¹⁶ In an environment where most aid donors are suffering from "aid fatigue," Japan's global ODA ascendance is all the more remarkable. How has Japan achieved these results?

To answer the question, we need to examine more closely the way, or more precisely the Japanese way, of allocating ODA to developing countries. One possible reason is that Japan has successfully integrated ODA objectives and instruments with the wider objectives of its economic growth. Another reason is that Japan has allocated ODA to different regions and countries based on a clear concept of where its interests and, increasingly, its responsibilities lie. Accordingly, South East Asia has captured most of Japan's ODA attention. To further substantiate this argument, we will look into four unique characteristics of Japan's ODA.

Definition of aid objectives

As we have seen in the previous section, the two aid plans developed by MITI and MFA clearly defined the objectives of Japan's foreign aid, that

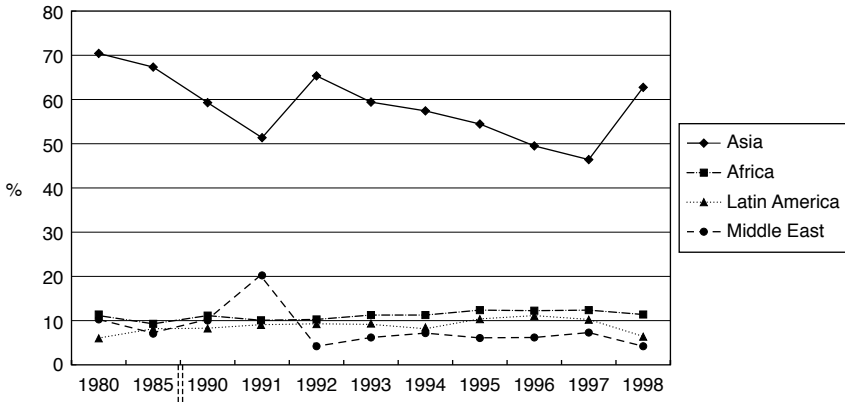


Figure 4.2 Geographical distribution of Japan's ODA.

Source: Gaimusho, *Wagakuni no seifu kaihatsuenjo*, 1981–99.

is, to improve relations with neighboring Asian countries; to increase trade in Asia in accordance with Japan's changing industrial structure; and to establish South East Asia as a stable supply source of raw materials and a market for Japan's exports. The "Asia-centered diplomacy" launched by former Prime Minister Kishi in 1957 epitomized this view. In this diplomacy, the objectives of Japanese aid were designated as the expansion of Japanese export markets and the stabilization of the socio-economic and political system of recipient countries, which ultimately would contribute to Japan's own political security. As such, Figure 4.2 illustrates Japan's Asia-centered foreign aid.

The late 1960s witnessed marked growth in the Japanese economy. With this rapidly growing economic strength and following successive liberalization measures after 1969, Japan's direct investment abroad likewise expanded throughout the 1970s in response to market, labor, environment, and resource-induced investment. These factors characterized not only Japanese economic cooperation but the aid program as well. While the direction of Japan's national interests and objectives remained unchanged, the intensity had increased.

This is not to suggest that, today, no conflict exists within the aid administration when undertaking specific aid policies. In fact, there are two major implementers: the one represented by MITI and the other by MFA. MITI emphasizes economically-oriented aid based on Japan's short-term economic interests, such as "expansion of export market" or "security of natural resources," as well as long-term interests, such as the "strengthening of economic relations between Japan and developing countries" or "maintaining and developing a stable world economy." On the other hand, MFA emphasizes politically-oriented aid based on such ideas as

“responsibility as a member of the West” and “enhancing the political stability of developing countries,” or “promoting democracy.” However, this has not led to the immobility of the aid administration.¹⁷ Instead, based on its clearly defined aid objectives, the Japanese government has continuously used aid as an instrument to promote Japan’s national interests by shifting the emphasis in different aid policies according to the needs and requirements of the recipients as well as the external environment, hence the advent of ODA as an active foreign policy.

Initiation of aid

The second point to note is that Japan has adopted a unique practice called *yoseishugi* (on a request base) in initiating Japan’s foreign aid. This practice requires that all projects to be funded by Japan’s ODA be initiated by the recipient country. Although controversial, the practice does fit conveniently into Japan’s low-profile aid policy. For example, by leaving the initiative to the recipient countries Japan can keep the size of its aid bureaucracy small. In addition, Japan can help alleviate the fear of recipients that Japan might use its dominant position to promote its own economic development policies.

However, the reality is that many recipient countries lack the funding and technical expertise to conduct development planning independently, thereby allowing the Japanese to fill the gap. As a result, both official and private sectors in Japan have been directly involved in undertaking various development projects for the recipients, a unique practice popularly known as “pro-fi” (that is, project finding). In practice, Japanese consulting companies and big trading firms usually bring potential projects to the attention of the recipient after interest is expressed. Moreover, these consulting companies receive subsidies from various ministries, which are allocated as part of ODA.¹⁸

Nevertheless, the practice of *yoseishugi* is critically important because it is directly related to the self-help efforts of recipient countries. Although this idea has never before been explicitly spelled out by the Japanese government, the ODA Charter of June 1992 adopted it as part of the basic principles of Japan’s aid policy: “Japan attaches central importance to the support for the self-help efforts of developing countries towards economic take-off.”¹⁹ Therefore, both *yoseishugi* and the self-help principle form the nucleus of Japan’s aid philosophy.

Project aid

The third feature of Japan’s ODA is the special emphasis placed on the small grants and the high ratio of yen loans in Japan’s aid policy (see Figure 4.3), despite the fact that the amount of technical aid for the first time surpassed that of loans in 1996. What is unique is that most of Japan’s

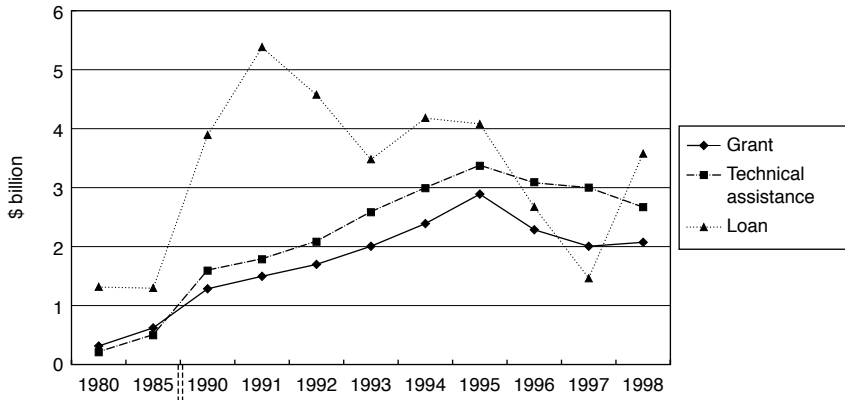


Figure 4.3 Bilateral ODA by form.

Source: Gaimusho, *Wagakuni no seifu kaihatsuenjo*, 1981–99.

yen loans are designed to promote project-based assistance. During the 1970s, project aid accounted for about 60 percent of total aid whereas non-project aid accounted for 20 percent, technical aid for 15 percent, and debt-relief aid for 5 percent. This trend strengthened during the 1980s, although non-project type loans, such as commodity and structural adjustment loans, began to increase in the late 1990s.²⁰

Understandably, this is exactly the policy that breeds criticism from the recipient countries, who argue that the main aim of Japan's ODA is to promote its own exports. The Japanese justify project-oriented aid as having the advantage of enhancing self-help efforts of the recipient countries to attain economic development by imposing repayment obligations. Such aid can also supply the funds required to implement large-scale projects and support the economic development of the recipient countries. Project loans are to provide funds for the procurement of goods and services required for a development project implementation, especially covering economic and social infrastructure projects. Towards this goal, JICA also promotes project-type technical cooperation, which involves planned implementation over a five-year period through combinations of three basic forms, namely, the acceptance of trainees, the dispatch of experts, and the provision of equipment and machinery.²¹

Comprehensive cooperation as an active foreign policy

The fourth feature is the emergence of a concept linking the Foreign Ministry's political networking with MITI's economic networking. The Foreign Ministry's adoption of two initiatives in 1977–8 (see pp. 59–60) was intended to carry out a policy of political networking with a primary

focus on ASEAN. MITI, on the other hand, attempted to employ economic networking by combining aid with trade and investment. This so-called “trilogy” of Japan’s aid policy is not new, although it first appeared in its full-fledged form in 1978 when MITI undertook a policy of comprehensive economic cooperation. The original idea was rather simple, in that MITI intended to use aid as a prime mover for Japan’s trade and investment. The initial emphasis was on the promotion of large-scale projects for the following positive effects: first, encouraging industrialization in developing countries; second, effectively using resources that had not as yet been utilized; third, contributing to regional development; fourth, procuring foreign currency through manufactured exports; fifth, expanding employment; and sixth, promoting technological cooperation so that Japan could secure resources and energy, maintain and develop smooth international commerce and trade relations, and solve the problem of limitations on industrial locations.

During the 1980s, moreover, MITI came to recognize the importance of ASEAN countries as the focal region of its economic policy and subsequently strengthened its policy of comprehensive cooperation. Needless to say, this policy was initiated in response to the Foreign Ministry’s offer of “strategic aid.” In 1984, for instance, MITI asked the Institute of Developing Economies to conduct a survey measuring the effect of Japanese ODA. Based on this report, MITI proposed a strategy to assist in self-reliant economic development of ASEAN countries. In 1987, the strategy was upgraded to the so-called “trilogy” of Japanese ODA and operationalized as the “New AID Plan” (to be discussed later in this chapter).

All this indicates that Japan’s ODA has been consistently carried out by the concerned ministries, especially MITI and the Foreign Ministry.²² Although conflicts do arise from time to time among the implementing ministries, the direction and goals of Japan’s ODA have not been seriously hampered as a result of the four characteristics described in this section.

Impact of Japan’s ODA on ASEAN countries

Figure 4.4 shows that a substantial proportion of Japan’s aid is allocated to Asia. The Foreign Ministry gives the following reasons: first, the close relationships between Japan and other countries in Asia; second, a high demand for development due to the presence of low-income countries with high populations, such as China, India, Bangladesh, and Pakistan; and third, the high demand for funds, particularly in the form of loans, on the part of middle-income countries such as the ASEAN members.²³ Political factors are also involved, chiefly because the United States places a priority on its security policy in the region. Concomitantly, Japan’s political goal is to gain a strong footing in the region in order to play a larger role in the international community. Thus, for both historic and economic reasons Japan’s aid goes mainly to other countries in Asia.

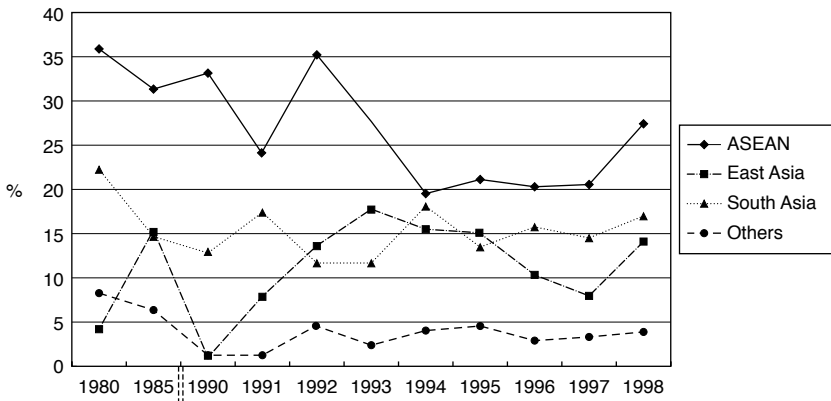


Figure 4.4 Bilateral ODA to Asia.

Source: Gaimusho, *Wagakumi no seifu kaihatsuenjo*, 1981–99.

In particular, the ASEAN region seems to have a special priority in Japan's ODA policy. As the Foreign Ministry states: "Half of Japan's aid to Asia, or 30% of its total ODA, is extended to ASEAN countries, reflecting Japan's high regard for ASEAN."²⁴ In fact, during most of the expansion period, ODA was targeted towards ASEAN countries, making the best possible use of yen loans. Prime Minister Fukuda launched the first attempt in August 1977 when he pledged \$1 billion aid to assist ASEAN regional industrial projects. In 1981, following the Fukuda initiative, Prime Minister Suzuki went one step further by clarifying the areas of priority in Japan's economic cooperation with the ASEAN region, namely, rural development and the promotion of agriculture, development of energy sources, human resources development, and the promotion of small and medium-sized enterprises. Visiting the region from April to May 1983, Prime Minister Nakasone also pledged to assist enterprises in plant renovation as part of Japan's foreign aid policy toward the ASEAN region.²⁵ Obviously, these proposals were suggested and formulated largely by the Ministry of International Trade and Industry.

More importantly, a carefully designed aid policy has been implemented by MITI ever since the OECF, the Institute of Developing Economies, and the Japan External Trade Organization jointly issued a report in October 1986, urging the Japanese government to increase assistance to export-oriented industries in ASEAN countries. The report urged that OECF loans be channeled to domestic development financing agencies, which in turn would finance private firms, and also that conventional yen loans be extended for government projects to improve the economic and social infrastructures of ASEAN countries.²⁶

Acting on this initiative, MITI Minister Hajime Tamura announced the New Asian Industrial Development Plan (or New AID Plan) in January 1987. Although adopted as government policy, MITI for a while put extraordinary emphasis on the part of the Plan that involved a complex blend of private and official capital flows in order to help countries develop an industrialization strategy; to build infrastructure, such as ports, roads, and power plants; and to enhance local technical and management standards. With ASEAN countries as its target, the Plan had the following requirements:

- 1 Cooperation should be extended in the selection and formulation of industrial projects which are most suitable for the recipient countries.
- 2 Financial and technological assistance must be directed toward the development of private industries.
- 3 Direct investments from Japanese firms must be encouraged.
- 4 The Japanese market should be opened up for the import of manufactured goods from the recipient developing countries, and Japan should help them increase their exports to Japan.²⁷

Finally, Prime Minister Takeshita announced a plan to create a new ASEAN-Japan Development Fund (AJDF) in December 1987, when he attended the third ASEAN Summit meeting held in Manila. Takeshita's attendance was highly symbolic in that Japan was the only dialogue partner to be invited by ASEAN. Under the plan, the Japanese government set aside \$2 billion to promote the establishment of joint business ventures in ASEAN countries. This fund, together with the New AID Plan, has been portrayed as "at the cutting edge of Japan's initiative to organize the industrial integration of East and South East Asia."²⁸

Therefore, during the 1980s, especially after the 1985 Plaza Agreement, Japan intensified its private-oriented economic assistance to ASEAN countries. As a result, the increasingly close trade and investment ties between Japan and the region have achieved a *de facto* integration of the economies. Needless to say, Japan's ODA has served as a prime mover for these activities. From the Japanese point of view, the closer economic relations between the two are mainly due to the "flying geese" pattern of economic development in the region. This pattern represents a dynamic international vertical division of labor, in which there is competition as well as complementarity.²⁹

Considering the important issue of democratization and human rights in the post-Cold War era, Japan's aid policy has changed since April 1991, when Prime Minister Kaifu announced a new standard in implementing its policy. However, Japan avoided applying the four principles to Indonesia and Thailand, justifying its position by saying that as improvements in democratic development had occurred in these countries, Japan saw no reason to reconsider its aid policy toward them – an evaluation contrary

to that of the Netherlands, which suspended its aid to Indonesia.³⁰ Japan's ODA has also taken on new forms in recent years, namely, "support for private sector initiatives in infrastructure development" and "assistance for South-South cooperation." In particular, Japan intends to strengthen the latter form. For instance, Japan and four ASEAN members have already jointly implemented a rural development and resettlement project in Cambodia. Singapore and Thailand have established a "partnership program" aimed at joining hands in helping other developing nations in the region with Japan's assistance.³¹

Effects of Japan's ODA on ASEAN countries

Measured by the high growth rate of South East Asian countries and the provision of Japanese aid, what we have seen here is a success story of Japan's ODA policies in East and South East Asia. In particular, due to the close interdependence both in the political and economic spheres, the ASEAN region is regarded as the top priority for Japan's economic cooperation efforts as a whole. For instance, Japan's ODA to the ASEAN region in 1995 made up 21 percent of its bilateral ODA programs.³² And for Indonesia, the Philippines, Thailand, Brunei, and Singapore, Japan is the largest donor nation. Thus, together with the drastic rise in Japan's direct investment, Japan's economic assistance is helping to accelerate the export-oriented economic growth that ASEAN nations have sought long and hard to achieve. As one study concludes: "the recipients get the kind of aid they want, although there is evidence that they do not get everything they want."³³

However, the fact that the so-called aid-trade-investment nexus has become an integral part of Japan's ODA is also cause for some concern on the part of the ASEAN countries. One such doubt is the predominant presence of Japan in the region. Singapore's former Prime Minister Lee Kuan Yew once said that the Newly Industrializing Economies (NIEs) welcomed European cooperation "because they are keen on an economic order in Asia that is not dominated by Japan."³⁴ Another observer summarized the region's concern about Japanese intentions in the following manner:

Flush with growing self-confidence, a number of Japanese academics, bureaucrats and political leaders have openly articulated new concepts for the organization of production and trade in Asia. These notions are based on implicit acceptance of the superiority of Japan's production system and the explicit desire to integrate those countries of the Asia-Pacific region that have favorable economic policies and labor conditions into a Japanese-led economic coalition.³⁵

Another problem is the rapidly growing debts to Japan, which has been aggravated by the substantial appreciation of the yen since the Plaza

Agreement in 1985. It is noteworthy that all ASEAN countries, except Singapore, are highly dependent on Japan's ODA. About 40 percent of Indonesia's \$51 billion foreign debt is in yen loans, and other ASEAN countries, namely, Malaysia, Thailand, and the Philippines, face similar loan repayment problems.³⁶ As pointed out by A. Bowie and D. Unger: "Of the cumulative total of all Japanese aid during the 1980s, South East Asia received about one third and, by 1990, Japan was supplying 61 percent of total bilateral ODA to the region, the United States just 9 percent."³⁷ It is thus no wonder that the issue of Japan's "conspiracy" emerged in the 1990s.

A revived Greater East Asia Co-Prosperty Sphere?

In the realm of economic relations with the South East Asian countries, Japan's policy of the triad – aid, trade, and investment – has been most successful. Perhaps it has been so successful that Japan will be obliged to address a critical problem of trade imbalance. Reflecting this, Chalmers Johnson castigated the New AID Plan as "Japan's proposal for a new regional order, a new and much more prosperous version of the Greater East Asia Co-Prosperty Sphere."³⁸ Is this really what is happening in South East Asia?

During the 1990s, there were two major changes in the Japan–South East Asian economic relations. The first change was that the total volume of Japan's trade with Asia (i.e., Asian NIEs and ASEAN) for the first time exceeded that of Japan-US trade in the year 1990, and the former trade volume expanded faster than the latter.³⁹ Second, Japan's aid and investment steadily increased until 1990 and accordingly, for the first time in 1989, Japan's exports to the ASEAN region surpassed its imports; since then its trade surplus has been increasing rather rapidly. Let us look more closely at each of these three components of Japan–ASEAN economic relations.

First, Japan–ASEAN trade relations have undergone a remarkable development, as Figure 4.5 suggests. Japan's exports to the region have increased rapidly since 1993, with Japan's trade surplus leapfrogging. Why has this occurred? Reportedly, the rapid growth of the ASEAN economies has been dependent increasingly on the import of Japanese capital goods, thereby eroding ASEAN's ever-favorable trade balance with Japan. As a result, Japanese firms in ASEAN countries have come to serve as a catalyst in forging a much broader regionalization of Japanese production. If so, are ASEAN's trade deficits bound to expand indefinitely? Some argue that Japan's trade surpluses are inevitable because "*Keiretsu* networks are creating the exclusionary character of Japanese firms-controlled regional production networks."⁴⁰ However, other observers have reached a different conclusion. Indeed, if intra-industry trade increases in South East Asia, as Wendy Dobson argues, the behavior of production networks are likely to converge over the long term.⁴¹

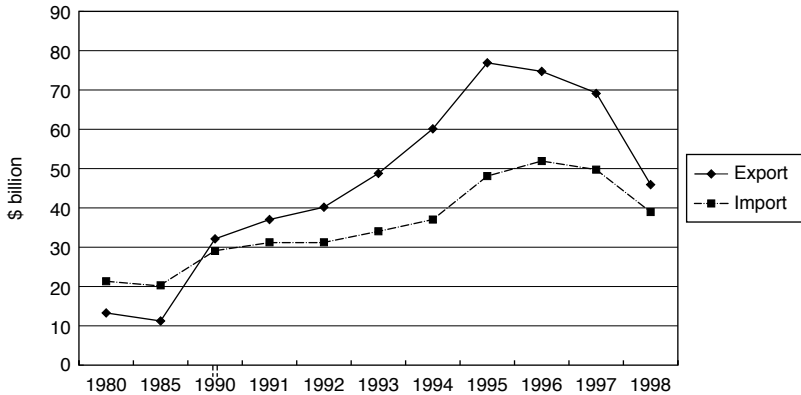


Figure 4.5 Japan–ASEAN trade relations.

Source: Tsusansho, *Tsusho hakusho*, 1981–99.

Second, Japanese investment in ASEAN, on the other hand, decreased between 1990 and 1993 yet increased almost to the level of \$8 billion in 1997, as Figure 4.6 shows. The decrease can be explained by rapid increase of overseas Chinese investment in South East Asia. In fact, according to one source, NIEs' investment in the region already surpassed that of Japan's in the early 1990s.⁴² The increase between 1993 and 1997 was due to two reasons: (1) the yen appreciation pushed Japan's investment into South East Asia, which led to the rapid growth of South East Asian economies, in turn promoting imports from Japan and further investment; and (2) the government strengthened its complimentary policies toward Japanese firms. For instance, at the Japan–ASEAN Economic Ministers' Meeting, held immediately after ASEAN's Economic Ministers' Meeting in October 1992, MITI Minister Watanabe proposed a package program designed to attract more investment and increase industrial cooperation with Japan. These proposals included a review of the implementation of the ASEAN-Japan Development Fund, improvement of intellectual property protection, establishment of a program for developing small and medium-size enterprises in ASEAN, and application of MITI's Green Aid Plan to provide technical support.⁴³

To promote economy of scale and make the ASEAN market more attractive to investors, various industrial cooperation schemes were introduced in the mid-1970s and 1980s. General dissatisfaction led ASEAN members to introduce the ASEAN Industrial Cooperation (AICO) scheme in November 1996 as a way of accelerating the pace of industrial cooperation among private enterprises in ASEAN.⁴⁴ Japanese enterprises have expressed their interest in this scheme and more investment in automobile-related industries is expected, should the scheme be effectively carried out.⁴⁵

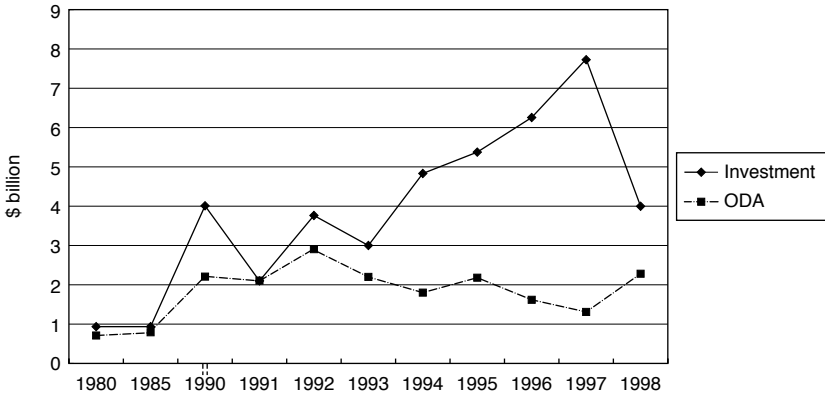


Figure 4.6 Japan's investment and ODA.

Sources: Gaimusho, *Wagakuni no seifu kaihatsuenjo*, 1981–99; *Sekai to Nihon no kaigaichokusetsu toshi*, 1981–99.

Third, Japan's ODA to the ASEAN countries reached a peak in 1992, but has been decreasing since then. In 1993, MITI began contemplating a new aid policy and three years later announced its own policy of upgrading industrial infrastructure in ASEAN with extensive use of yen loans. More specifically, this policy is designed to provide better assistance according to each recipient's economic and social needs, with different targets for three categories of countries: (1) emerging markets; (2) semi-emerging markets; and (3) marginalized economies.⁴⁶ Although it may not go up drastically, Japan's ODA power is likely to be maintained for the reason that Tokyo has decided to resume aid to Vietnam, Cambodia, and Myanmar, while still upholding its ambitious aid promotion plan, covering the years 1993 to 1997 with a total sum of \$70 to \$75 billion.⁴⁷ At the same time, special attention has been paid to specific conditions in each recipient nation, due to different levels of development. Thus, cooperation with Vietnam, Indonesia, and the Philippines will likely take the form of improving social infrastructure and human resources through grant aid and technical cooperation, as well as yen loans to build their economic infrastructures. Thailand and Malaysia, which have now achieved a critical level of economic growth, are no longer grant aid recipients. Singapore and Brunei, which both enjoy very high per capita GDPs, have received only technical cooperation corresponding to the level of technology in each beneficiary nation.

These three dimensions of economic relations between Japan and ASEAN implicitly and explicitly demonstrate the formation of Japan's economic network in South East Asia, and tend to retain Japanese interest and influence in the region rather than create a new co-prosperity sphere.⁴⁸ The point here is the existence of other economic networks in South East

Asia. Our argument is that, given the increase of Chinese networks, the development of Japan's economic networks does not by definition lead to an exclusive sphere dominated by Japan. As one observer succinctly explains: "Consideration of China and the ethnic Chinese now drive decision making in Asia as China becomes central to the total Pacific region. But it is the ethnic Chinese network that will dominate the region – not China."⁴⁹ This trend is likely to continue despite the relentless aftermath of the 1997 financial crisis.⁵⁰

Japan's leadership and the initiative for Indochinese development

A new area for Japan's ODA seems to be opening up. As we saw in Chapter 2, the Indochina region became a critically important factor economically and politically in promoting Japan's ASEAN policy in the 1990s, as Prime Minister Kaifu cogently explained in May 1991:

Indochina has historically long been a stage for dynamic exchanges among the peoples of the region. I am convinced that only when peace and prosperity are restored to Indochina and the region engages in expanded exchanges with ASEAN will it be possible for lasting peace and prosperity to come to the whole of Southeast Asia. Japan intends to cooperate in every way possible so that ASEAN and Indochina can some day develop together as good partners for each other. As a first step, I am pleased to report that Japan is prepared to host an international conference on Cambodia reconstruction at an appropriate time for the purpose of future reconstruction in Cambodia and all of Indochina.⁵¹

Since the Paris agreement in October 1991, therefore, Tokyo has become entangled with the dual policy objective of convening a conference of Indochinese development and also sending Japanese personnel to Cambodia as part of UN peacekeeping operations (PKO). This initial objective materialized in June 1992, when Tokyo held an international conference on the reconstruction of Cambodia (ICORC), in which 15 countries and international organizations agreed to contribute \$880 million to war-torn Cambodia and to establish an international committee which would serve as a coordinating body to aid in the reconstruction of Cambodia. In a similar vein, after much time-consuming official as well as private groundwork, Japan finally decided to resume its ODA to Vietnam in November 1992. Together with reconstruction funds, this resumption of ODA could significantly expand Japan's role in directing the economic development of countries in Indochina.

In early 1993, Tokyo endorsed the growing cooperation of Cambodia, Laos, and Vietnam with ASEAN, indicating that "Japan felt it important

for these countries to strengthen their organic cohesion and pursue development of the region as a whole.”⁵² In fact, Japan emerged as the largest donor to Vietnam, when the first-ever donor conference on Vietnam was held in November 1993, by pledging \$560 million for 1994 alone. In the case of Cambodia, the second ICORC meeting held in Paris in September 1993, with its special emphasis on agricultural rehabilitation, improvement of the transportation network, and funding for basic education, gained momentum toward completing the reconstruction program. Cambodia received emergency aid pledges totaling \$773 million at a March 1994 meeting in Tokyo, and Japan was again the largest bilateral contributor with an aid package totaling \$91.8 million. In September 1994, Japan’s Foreign Minister, Kono, suggested that Tokyo would increase its economic aid to Cambodia given that the economic reforms implemented by Phnom Penh were progressing. With respect to Laos, Japan’s ODA in 1993 was almost doubled due to the progress in economic reforms, although the total amount remained quite low (\$24 million in 1992, \$40 million in 1993).⁵³

Thus, following the US decision to lift its embargo – which also made investment in the region more viable – the Japanese government, together with a reactivated business community, was eager to adapt its “ASEAN-model,” that is, Japan’s aid-trade-investment strategy, to the Indochinese countries. In February 1995, the Forum for Comprehensive Development in Indochina was finally held in Tokyo, with the participation of 22 donors, 3 Indochinese countries, and 7 international financial organizations. The meeting issued two compendiums, one listing some 150 ongoing and planned infrastructure projects in the region and the other, hundreds of human resources development projects.⁵⁴ Also in July 1996, the first Consultative Group Meeting for Cambodia was held in Tokyo under the co-chairmanship of Japan and the World Bank. Apparently, this form of Japan’s assistance was the direct result of the success of the Philippine Multilateral Aid Initiative (MAI) in 1989. Also conspicuous is the fact that the Japanese government, especially the Ministry of Foreign Affairs, formulated a comprehensive assistance package including soft aid, a general untied aid policy, and collaboration with non-governmental organizations (NGOs).⁵⁵ As a result, Japan’s economic dealings with the Indochinese countries increased rather remarkably, as shown by Figure 4.7.

More importantly, realizing the fact that the greater Mekong subregion has captured the spotlight as an untapped frontier for development, and that the number of power, transport, and other infrastructure projects utilizing private sector funds has grown sharply in South East Asia, the Japanese government has come to place particular importance on providing assistance to Indochinese countries. Foreign Minister Yukihiko Ikeda, for instance, made it clear in July 1997 that in providing ODA to ASEAN, Japan would put new emphasis on supporting private sector-led infrastructure projects, including cross-border projects in the greater Mekong subregion.⁵⁶

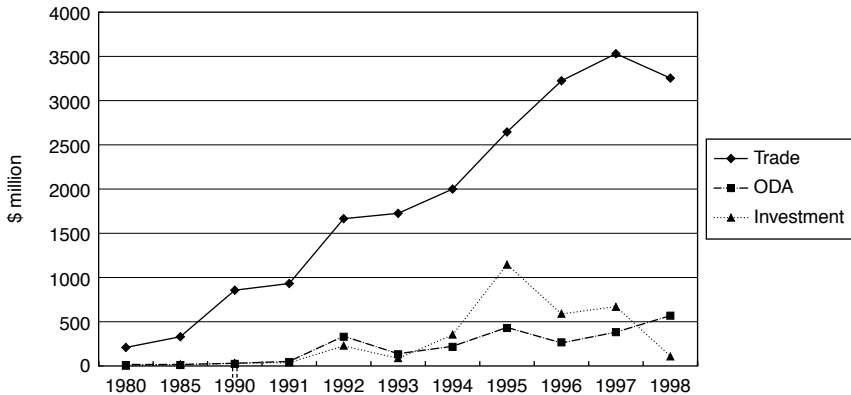


Figure 4.7 Japan's economic relations with Indochina.

Sources: for ODA, Gaimusho, *Wagakuni no seifu kaihatsuenjo*; for investment, *Sekai to Nihon no kaigaichokusetsu toshi*; for trade, Tsusansho, *Tsusho hakusho*, 1981–99.

MITI, on the other hand, established a Working Group on Cooperation for Industrialization on Cambodia, Laos, and Myanmar (or CLMWG) in 1994 at the third ASEAN-MITI Economic Ministers' Meeting. This Working Group met on several occasions to formulate appropriate work programs to assist the development of Cambodia, Laos, and Myanmar and to enhance greater economic linkages between these countries, ASEAN, and Japan. In September 1996, the Working Group submitted its policy recommendations to the fifth ASEAN-MITI Economic Ministers' Meeting, which stressed: "The Ministers noted that the study in the CLM Working Group would present useful preparation for CLM countries joining into ASEAN and strengthen economic linkages among ten Southeast Asian countries, which promote the dynamism of economic growth in the Asian region as a whole."⁵⁷ Through this Working Group, MITI intends to play a greater role in promoting economic development in the region while working with representatives of both public and private sectors from ASEAN, Indochina, and Myanmar.

In promoting Japan's development plan for Indochina, possibly together with ASEAN, one observer has advocated the introduction of a Japanese "Marshall Plan." For one thing, according to Ichikawa, the first ASEAN Mekong Committee meeting, which was held in June 1996 to promote enterprise in Mekong as a joint project of the ASEAN 10, was not impressed with Japan's economic contributions. Thus, Japan needs to declare a new "Marshall Plan" with a worth of at least \$10 billion for Asian development projects if it desires to play a bigger role in Indochina.⁵⁸ Toward this goal, the resumption of Japan's loan to Laos in 1996 and the establishment of a Foreign Ministry task force for Greater Mekong Development augur well for the development of the region.⁵⁹

Despite major strains due to several precarious political situations in the region, however, the future direction of Japan's aid to the Indochinese countries is reflected in the following three challenges. First, ODA may be used as positive rewards to strengthen productive capacities and facilitate increased interactions within the region. Second, Japan's role may be to address the problems that are generated in the process of economic development, such as environmental degradation. Third, ODA may be directed to those aspects of socio-economic life which do not receive the positive impacts of economic growth, such as areas of poverty and regional disparities. As such, Japan's ODA to the Indochinese region will be accorded a sharper focus in its design as the contour of region-wide economic development becomes clearer.⁶⁰

Summary

At the outset of this chapter it was noted that the literature on Japan's foreign aid has highlighted three main impediments to Japan's ODA policy and system: the lack of an aid philosophy, the immobility of aid administration, and the meager number of aid experts and personnel. Despite these problems, Japan emerged as the top donor in the 1990s. Why is this the case? This chapter has examined the puzzle and attributed Japan's global ascendance to the unique nature of its aid policy. In summary, Japan employs aid with consistent objectives based on national interests: it responds to the needs of recipients (*yoseishugi*); uses its project-oriented yen loans extensively; and incorporates aid with trade and investment. It is through this unique use of foreign aid that Japan's economic networking has shown some positive results. In the long run, the targeted recipients, that is, South East Asian countries, are assisted by Japan's foreign aid which helps recipients to industrialize, and which in turn accelerates regional cooperation between Japan and ASEAN. In other words, South East Asia is not only a major region for Japanese ODA, but also the place where significant ODA policy innovation is worked out. Therefore, what we have found in this study is quite different from the conventional perspective.

Will this trend continue in the future? The answer seems to be positive in the sense that the present aid power of Japan will likely be maintained as a result of the Japanese reform program currently underway.⁶¹ However, we need to consider two new developments. First is the new approach to Japan's ODA, proposed by the ruling Liberal Democratic Party and adopted by the government on April 12, 1991. This approach set up four guidelines in extending Japanese aid to developing countries: the level of military expenditures, the extent of development of weapons and missiles of mass destruction, the trends in weapons trade, and the condition of democratization. Obviously, the emphasis is on the potential political uses of ODA; hence, Japan's aid could be extended or terminated depending on the four political conditions cited above. This active involvement of

the ruling party in policymaking marks a significant break with the traditional pattern of bureaucracy-initiated policymaking.⁶²

The second development is a sign of Japan's aid fatigue, which is affected by the country's domestic reforms. Reflecting this, a private think tank, the Policy Council of the Japan Forum for International Relations gave a guarded endorsement of Japan's ODA policy in its 14-point recommendation to Prime Minister Hashimoto in April 1998. The Council stressed the importance of Japan's ODA in supporting and advancing major national objectives, and recommended that it should be used strategically as a diplomatic instrument. The policy recommendations, titled "Japan's ODA in the 21st Century," have been timely, for instance, when the government cut its ODA budget by 10 percent in 1998 from the previous fiscal year.⁶³ However, it seems likely that together with these recommendations, Japan will be able to meet the challenge by instigating four reforms; including: (1) coping with the fiscal crisis by prioritizing certain regions; (2) integrating soft aid into Japan's ODA; (3) pursuing an untied aid policy; and (4) collaborating with NGOs.⁶⁴

In August 1999, the Ministry of Foreign Affairs announced its medium-term aid policy guidelines. Serving as a basic guideline for Japan's ODA implementation over the next five years in line with the basic philosophy and principles of the ODA Charter, the outline stressed that Japan will put more emphasis on national and diplomatic interests for its official assistance and continue to focus on East Asia. It also singled out assistance for building up social safety nets and other measures to help those most vulnerable to economic crises, improving the financial sector, and promoting economic reforms.⁶⁵ Whether or not the new approach to Japan's ODA will be undertaken successfully remains to be seen.

5 Japan's political networking

In search of a security role

One thing is clear; Japan needs both the alliance with the US and the strong relationship with ASEAN to be able to play a political role commensurate with its economic status. ASEAN can act as Japan's conduit for dialogue, because ASEAN supports an increased Japanese security role. ASEAN believes that a step-by-step process through frequent regional dialogue that leads to an increased Japanese role is much better than if Japan expands its role suddenly and extremely because of a crisis.

(Jusuf Wanandi, 1996)¹

During the 1990s, Japan was undergoing a period of major transition, and faced with great uncertainty the dilemma of how to direct a new course of development, domestic as well as international. The dilemma was compounded in the early 1990s by a widening discrepancy between Japan's inflated power base and the lack of any vision on which to hinge its foreign policy. Three basic facts, namely, Japan's status as the largest creditor nation, the biggest donor country, and the third largest defense spender in the world, suggest that Tokyo will inevitably be compelled to display a responsible leadership role commensurate with Japan's increasing power in the international community. It is also becoming unrealistic to expect that the largest debtor nation, the United States, will continue to defend unilaterally the largest creditor nation. Only in the late 1990s, however, has it become apparent to the Japanese that responding to the challenges on an *ad hoc* basis is no longer tenable. Feeling itself adrift in the uncertain decade of the 1990s, the Japanese government embarked on a search for a new role.²

In a similar vein, a new political situation is emerging in South East Asia, which historically has been divided among Communist, anti-Communist, and neutral countries, and more recently, between the Indochinese countries and the countries of the Association of South East Asian Nations (ASEAN). With the ending of the prolonged Vietnamese occupation of Cambodia, ASEAN seems equivocal in agreeing to a new direction for the organization. A fundamental question is, in the absence of a serious threat

from Indochina, what will keep ASEAN together in the future? Whatever form it may take, a greater ASEAN unity and cooperation will be indispensable, given the precarious situations in mainland South East Asia and possible political changes within ASEAN countries. Under these circumstances, the term “security” in the context of South East Asian countries should be construed more broadly than mere military defense, to include political and economic dimensions, thereby optimizing Japan’s contributions.

In this chapter, we analyze developments in Japan–South East Asian relations during the 1990s and clarify that, by way of supporting regional stability, Japan has gradually developed a unique role that promotes security based on political networking. From a historical perspective, furthermore, we contend that Japan’s political role and networks should be strengthened because increased recognition of the importance of security affairs by Japan and the ASEAN countries is inevitable, although any direct Japanese military role should be avoided. Should Japan–ASEAN multilateral collaboration prove to be a key element in shaping a new regional order in the future, a careful scrutiny of the potential of both Japan and ASEAN is needed.³ After reviewing the historical evolution of past cooperation, therefore, this chapter examines the potential of Japan to contribute to the security of South East Asia and advocates joint efforts to forge a “security community,” despite its historical legacy.

South East Asia in Japanese security policy

It should be made clear at the outset that due to constitutional and political constraints, an expanded security role for Japan overseas has been unthinkable, since Japan is allowed to possess only its Self-Defense Forces (SDF), not ordinary military forces under the auspices of the Defense Agency, which is not properly set up as a full-fledged ministry within the government organizations. Given these formidable conditions imposed in the early postwar period, the most prominent role Japan has played in South East Asia is that of supplier of extensive capital, in terms of investment and aid.⁴ This role is so fundamental that it has frequently been ignored. Although South East Asians may complain about problem-laden Japanese economic assistance and regard it as serving only Japan’s own interests, the effect of this Japanese capital on the region cannot be underestimated in accounting for the region’s remarkable economic development, which enhances local political stability.

However, when it comes to economic leadership in the region, Japan’s postwar record is one of mixed results. A good example is the Ministerial Conference for the Economic Development of South East Asia, which was established in April 1966 as a brainchild of the Japanese Foreign Ministry. The Ministerial Conference, composed of nine countries including Indonesia, Cambodia, Laos, Malaysia, the Philippines, Singapore, Thailand, South Vietnam, and Japan, aimed at undertaking regional projects which

would be financed by the Japanese government. As such, Tokyo from the outset took the major initiative and implemented several projects, but failed to generate any significant progress toward greater regionalism in South East Asia. During a decade of activities, South East Asians often questioned the Japanese leadership, and some Japanese proposals, such as one to establish an Asian Medical Organization, were rejected. Thus, lacking concrete goals and direction, the Ministerial Conference was dissolved in 1975 when the Cold War structure in the region disintegrated with the advent of new regimes in Indochina.⁵

Nevertheless, during the early period of Japan–South East Asian relations, there were two political opportunities that the Japanese government took. The first attempt came in 1964 when then Prime Minister Hayato Ikeda offered to mediate in a conflict between Indonesia and Malaya over Indonesia’s opposition to the formation of Malaysia, and also in the Philippine territorial claim over Sabah. In June 1964, a summit meeting between the former Indonesian President, Sukarno, the Malaysian Prime Minister, Tunku Abdul Rahman, and the Philippine President, Diosdado Macapagal, was convened in Tokyo. The meeting failed to produce any tangible results. Yet, as such, this was truly the first “political” role in South East Asia undertaken by the Japanese government since the end of World War II. The second, which occurred in 1970 under the Sato cabinet, concerned Japan’s active participation in resolving the conflict in Indochina. In May 1970, as one of the three mediating countries, Japan played a leading role in securing the “neutrality” of an Asian conference on Cambodia held in Jakarta. In the sweep of postwar relations, however, these two political forays were exceptional and sporadic. They do not suggest that Japan had political objectives in the region, and Japan avoided playing a more direct political role until the mid-1970s.⁶

The promulgation of the Fukuda Doctrine on August 18, 1977 marked the beginning of Japan’s “political” relations with the South East Asian countries, a new phase of a relationship that can be characterized by frequent exchanges of visits between prime ministers and regular meetings with foreign ministers as well as the Japan–ASEAN Forum, which together constituted Japan’s “Support ASEAN” policy. To the Japanese, close diplomatic relations with the organization also strengthened Japan’s position in talks with Western countries. Among the ruling Liberal Democratic Party (LDP) politicians, it was felt that the ASEAN visits sharpened their diplomatic skills. Concomitantly, some Japanese politicians designated the region as Japan’s “political constituency.” Japan’s policy toward Hanoi was coordinated through the annually held Japan–ASEAN Foreign Ministers’ Meeting, which was institutionalized as the major political forum between Japan and ASEAN in 1978. Here, the Japanese government, in its quest for a full-fledged political role, took two policy initiatives.

Comprehensive National Security and the Philippines

Adoption of Comprehensive National Security

In July 1980 the Study Group on Comprehensive National Security, appointed by the late Prime Minister Masayoshi Ohira, submitted its report to the government.⁷ While recommending six specific policies – increasing military cooperation with the United States; strengthening Japan’s defense capability; persuading the Soviet Union that Japan was neither weak nor threatening; providing greater energy security; ensuring greater food security; and improving crisis management of large-scale national disasters such as earthquakes – the report urged the establishment of an effective Comprehensive National Security Council to replace the limited National Defense Council. The adoption of this economic security concept was a high point in the evolution of Japan’s security policy. In the same year, the Foreign Ministry’s Security Policy Planning Committee released a report emphasizing the importance of diplomacy as a means of ensuring national security, thus leading to the adoption of the concept.⁸

“Comprehensive security” called for Japan to use a blend of economic, political, and military tools to maintain its security. Referring to South East Asia, the report maintained: “Should a war break out in the Korean Peninsula or should the Indochina fighting greatly intensify the tension over the entire South East Asian region, Japan cannot remain unaffected. Accordingly, it must be Japan’s responsibility to perform a political role for the stabilization of these areas.”⁹ Prime Minister Yasuhiro Nakasone also formulated his defense policy based on the same concept. Headed by Masataka Kosaka of Kyoto University, Nakasone’s advisory group, called the “Peace Problem Study Group,” submitted its report to the government in December 1984. This report can be contrasted with that of Ohira’s study group in two ways. First, the report emphasized the reappraisal of the 1976 Defense Outline, regarding it as obsolete. Second, it advocated the removal of the 1 percent of the GNP ceiling on the defense budget so that Japan could “play a greater defense role.”¹⁰

Since the inception of the concept of “comprehensive national security,” Japan’s “foreign aid policy” emerged as a catchword of its diplomacy. In the early 1980s, therefore, Tokyo employed an active policy of extending, or denying, economic aid for political and security-related purposes to nations deemed important to international as well as to Japanese security, as exemplified by its dramatic increase of aid to Turkey, Pakistan, and Thailand, and by its denial of aid to Vietnam in 1980. As a result, the LDP renewed its effort to instill strategic goals into Japan’s foreign aid during the Takeshita administration, given the likelihood of Japan overtaking the United States as the largest donor. As a senior LDP member put it: “Now that Japan’s development aid is becoming second to none,

we should take advantage of it for our diplomacy and national interests in peaceful ways. Japan's aid policy should be more strategic."¹¹

Japan and the Philippine Multilateral Aid Initiative

The second initiative can be seen in Japan's role in the so-called Philippine Multilateral Aid Initiative (MAI). After the advent of the Corazon Aquino administration (1986–92) in February 1986, the Philippines faced two seemingly insurmountable problems: a stagnating economy with staggering foreign debts, and the American bases issue, which encouraged nationalistic fervor. Thus, the so-called "mini-Marshall" plan, or multilateral aid plan, was initiated. The genesis of the MAI lay in a letter of November 25, 1987 to the then American President, Ronald Reagan, from a bipartisan group of American legislators who suggested that the Philippines needed a variant of the Marshall Plan, a total of \$5 billion for five years. The letter urged a two-pronged approach to halt the atrophy of the Philippines: "First, the United States must be willing to make a substantial increase over its present aid commitments to the Philippines. Second, the US must make a much more vigorous effort to persuade Japan and other countries in Asia to dramatically increase their assistance to the Philippines."¹²

The Japanese government, for its part, supported the plan but initially expressed some reservations. Because of the domestic concerns about Japan's potential "military" involvement, Tokyo did not want the plan to be linked with the American bases issue. Since most of the expected participants supported, in principle, the basic idea of the mini-Marshall Plan, the real questions were how should it be funded and who should take the lead. Although the United States failed to reach an agreement at the Toronto Summit of the major advanced nations, the problems were soon resolved by Japanese efforts. In February 1989, Prime Minister Noboru Takeshita and newly elected American President, George Bush, agreed to implement the plan within the current year and, subsequently, the Filipino coordinator of the plan, Roberto Villanueva, came to Tokyo with the "blueprint" in May. Two months later, Tokyo hosted the initial meeting, which was organized by the World Bank. At the meeting, the Japanese government offered to provide \$1 billion, representing 30 per cent of the total sum. It also planned to offer another \$600 million from its Export-Import Bank to help Manila reduce its \$28.6 billion debt. The United States pledged to offer an additional \$200 million for that year.¹³

Some Japanese officials characterized the MAI endeavor as a "Philippine method" in which the United States "writes a scenario and Japan plays a leading role in implementing it," which would be re-employed to resolve security-cum-economic problems in the future.¹⁴ It may well be that the Philippine case was a test case for Japan as well as the ASEAN countries, because some key elements of "security," that is, democracy, economic development, and internal/external stability, were all involved.

Japan's enhanced politico-security role in the 1990s

The year 1989 was replete with significant events and some surprises that could amount to the beginning of a new era in Asian international relations; these included the announcement of Sino-Indonesian diplomatic normalization in February, diplomatic normalization between China and the Soviet Union in May, the Tiananmen Square incident in June, the withdrawal of Vietnamese troops from Cambodia in September, and the Malta Summit of two superpower leaders in December, signifying the end of the Cold War that had underpinned the structure of postwar international affairs.

In tandem with these changing regional as well as international relations, the Director-General of Japan's Defense Agency, Yozo Ishikawa, paid official visits to Thailand, Malaysia, and Australia in early May 1990. This was only the second time a Japanese defense minister had visited the region, and Ishikawa purported to be conducting a fact-finding mission at the outset of the post-Cold War period. To his chagrin, however, Ishikawa faced a difficult discussion agenda throughout the mission. In Thailand, Prime Minister Chatichai Choonhavan proposed that the Thai and Japanese navies hold joint exercises in the South China Sea to enhance regional security in the event of a withdrawal of United States forces from the Philippines, and also that senior Thai and Japanese military officers meet to discuss the repercussions of an American withdrawal. The proposal stirred a fervor in South East Asia, and one Thai-English newspaper immediately responded, "Without a doubt, bilateral defense cooperation among Japan and ASEAN countries is tolerable. . . . But at this point, any role Japan sees for itself in defense beyond its territory is out of the question."¹⁵ In effect, Thailand did not envisage a military buildup with Japan, but only joint training and an exchange of opinions and experiences, all aimed at enhancing Japan's peace-keeping role in the region.

In Malaysia, Defense Minister Tengku Ahmad Ritaudeen told Ishikawa that the region was concerned with the uncertainty about a possible re-emergence of Japan as a military power, given its economic strength, amid signs of a reduced United States and Soviet presence in the region.¹⁶ Accordingly, ASEAN experts quickly dismissed Chatichai's proposal as "premature", a unilateral action that lacked support throughout the region. Regretting the lack of consultation, Jusuf Wanandi, Director of Indonesia's Center for Strategic and International Studies, said: "It's so sudden. It's a completely new departure for South East Asia's thinking about Japan's role in the region, which is mainly economic." Noordin Sopiee, Director of Malaysia's Institute of Strategic and International Studies, also commented: "Perhaps it is better if this initiative comes from countries other than Thailand which has not come under Japan's occupation. But then of course other countries are not prepared to do so."¹⁷

As such, the dawn of the post-Cold War period saw the beginning of Japan's full-fledged political role in the region. Here let us examine how Japan's political role evolved, with special emphasis on three aspects, namely, the Tokyo meeting on Cambodia in June 1990, Japan's first peace-keeping operation (PKO) to Cambodia, and Japan's positive role in the area of multilateral security cooperation.

The Tokyo meeting and Japan's role in the Cambodian peace settlement

At the request of Thai Prime Minister Chatichai Choonhavan in April 1990, Prime Minister Kaifu decided to hold an international meeting to resolve the Cambodian conflict by inviting concerned parties to Tokyo. To be fair, the meeting was possible partly because of the Thai official's critical role and cooperation. At the Tokyo meeting held on June 4–5, 1990, Prince Sihanouk and Hun Sen, representing the Phnom Penh government, signed a crucial agreement specifying a pledge for a cease-fire and the setting up of a Supreme National Council (SNC), comprising an equal number of representatives from both the Hun Sen and the resistance coalition, by the end of July. Although the Khmer Rouge boycotted the meeting at the last moment, the joint communiqué was deemed a major achievement of the Tokyo meeting, marking a significant step toward a comprehensive settlement of the conflict and providing the impetus for the next stage.¹⁸

Thus, the result was crucial, for it not only marked progress toward a comprehensive settlement of the conflict, including an emergency exercise on self-restraint in the use of force, an end to hostile activities, and the creation by the end of July of a SNC as an interim ruling body, but also the Tokyo meeting became Japan's first effort at "peace-making diplomacy" since the end of World War II. Accordingly, it meant that Japan's ultimate goal of using the Cambodian issue as its first opportunity to take the political initiative in building a new order in South East Asia had been fulfilled.¹⁹

Three months after the Tokyo meeting, the Cambodian settlement had come closer to reality, resulting in the successful establishment of the SNC. To be sure, China and the United States had played a critical role in the process as part of the United Nations Security Council resolution on Cambodia. Finally, a compromise was reached when all the warring factions met in Jakarta and approved the UN Security Council's peace plan, under which the SNC delegated to the United Nations all powers necessary to ensure the implementation of the comprehensive agreement, including those relating to the conduct of free and fair elections and the relevant aspects of the administration of Cambodia.²⁰ It was a breakthrough in the sense that the warring factions decided for the first time to "drive the same car." Although still not free from major impediments, the Cambodian

problem entered a new stage toward a political settlement, with special emphasis on the supervision of its peace process.

Japan's first PKO to Cambodia in 1992

The second objective was rather more difficult to put into practice. Soon after Iraqi's invasion of Kuwait in August 1990, the Japanese government came up with the "UN Peace Cooperation Bill" in October, in order to send Japan's Self-Defense Forces to the Middle East. However, this bill was defeated in the Diet due to an unprecedented debate over the legality of sending the SDF outside the country. Hampered by the weak leadership of Prime Minister Kaifu, by February 1991 it had become apparent that Japan would do little except write a check. It was this painful experience during the Gulf crisis that triggered a process of "internationalization" to send the SDF abroad, if deemed necessary. As a result, Japan saw Asia as a natural arena in which to exercise a newly established policy.²¹

On 15 June 1992, the third attempt by the ruling LDP came to bear fruit. The UN PKO Cooperation Bill was finally adopted with the joint collaboration of the ruling party and opposition parties, including the Komei Party and the Social Democratic Party. It was only possible to pass the bill because of a compromise on the five principles behind sending Japan's peacekeeping forces abroad:

- 1 parties to the dispute must have concluded a cease-fire agreement,
- 2 parties to the dispute must agree to accept Japanese participation in a peace-keeping operation,
- 3 the operation must maintain strict neutrality,
- 4 Japanese forces must be withdrawn if any of the above conditions are not satisfied, and
- 5 the use of weapons must be restricted to the minimum level necessary of self-defense.²²

This compromise formula created some major operational problems. For instance, since the SDF were not able to use force on overseas missions, the Japanese contingent would have to abstain from firing its weapons if it was to participate in peace-keeping operations. As an extension of the underlying logic, we must assume that the SDF would simply have to pull out of the danger zone even if, in fact, other foreign peace-keeping forces were engaged in combat operations.

These inherent problems notwithstanding, it is significant that the five principles enabled the Japanese government for the first time to rid itself of a taboo regarding the dispatch of armed forces overseas. The appointment of Yasushi Akashi, a veteran Japanese diplomat, to head the United Nations Transitional Authority in Cambodia (UNTAC), and Japan's

adoption of long-awaited peace-keeping legislation eventually facilitated Japan's deeper involvement in Indochina. As one scholar stated: "It was a departure, albeit limited and tentative, from the Yoshida Doctrine, and it marked the first direct postwar involvement in military-strategic affairs in Asia."²³

In September 1992, Japanese SDF officials were dispatched to Cambodia to assist in the UN peace process. Japan's operation involved around 600 personnel from the Engineer Corps, who were assigned to restoring roads and bridges far from areas of danger. When a Japanese volunteer and a policeman were killed in the spring of 1993, the Japanese public leaned toward withdrawal from UNTAC. Despite the loss of two personnel and associated pressures to withdraw early from Cambodia, however, Japan's mission was successfully fulfilled in September 1993.²⁴

Japan's role in the South China Sea conflict

After the first PKO to Cambodia, Japan seems to have shifted its diplomatic attention to the dispute over jurisdiction of the South China Sea. In fact, if a major war broke out in the disputed area, a disruption of maritime communications would be unavoidable, which would pose a serious threat to the interests of Japan. Given the fact that around 70 percent of Japan's oil imports pass through the South China Sea, even prolonged conflict itself would critically undermine the Japanese economy.²⁵ Moreover, it has been reported that Japanese companies have major stakes in three oil concessions in the South China Sea off Vietnam, which includes one discovery with a production potential of 100,000 barrels a day.²⁶

In addition to the importance of sea lanes and maritime resources, Japan's reaction to the South China Sea conflict has a bearing on Japan's territorial claim over the Senkaku Islands. Thus, it is understandable that, although Japan did not react to the clash between China and Vietnam over the disputed islands in 1974 and 1988, Japan expressed its protest against China when Beijing incorporated the South China Sea islands and Senkaku into the Territorial Waters Law in February 1992, which meant that China could use force to defend areas deemed as Chinese territory.

Although Japan's active diplomacy was influenced directly by the aftermath of the Gulf War, it was with the revelation of China's disputed occupation of Mischief Reef in the Spratlys in February 1995 that Japan's involvement in the dispute started.²⁷ Soon after the incident, the Philippine vice-minister discussed the matter with his Japanese counterpart and requested that Tokyo persuade Beijing to resolve the conflict through deliberation. In April and again in May, Prime Minister Murayama raised the issue with the Chinese.

What is becoming apparent is the fact that the future of China is directly related to Japan's security and foreign policy in this region, as it is for the

whole of Asia. It is also clear that China has been rapidly developing its economy and its military, including nuclear capabilities in recent years. Therefore, the heart of the problem for Japan is to decide which approach to employ toward China: appeasement or a hard-line policy. Traditionally, Japan's China policy evolved around the principle of appeasement, avoiding any possible conflict based on the "separation of economics and politics." Nevertheless, this traditional policy of appeasement is gradually coming to an end, or as Professor Masashi Nishihara of the Defense Academy perceives it: "The way they [the Chinese] have behaved in the South China Sea may one day be applied to the Senkaku islands. It's a creeping expansionism."²⁸ In a similar vein, Masahiro Akiyama, Director-General of the Bureau of Defense Policy at the National Defense Agency, stated that "Tokyo is closely watching the dispute in the South China Sea because it is related to Japan's vital interests as most of the energy coming to Japan passes through sea lanes in the South China Sea."²⁹

Concomitantly, the ASEAN states seem to have adopted a much softer attitude toward Japan's security role in South East Asia. As a South East Asian security specialist put it:

From South East Asia's point of view, Japan could be used as a countervailing power to China's military might. In this sense, it can be argued that countries such as Malaysia, Indonesia and even Singapore would not be hostile towards a Japanese military presence in the region. Indeed, there are indications that some ASEAN leaders prefer to engage Japan positively in Tokyo's quest for regional security, rather than wait to underwrite its own regional security in the evolving strategic environment.³⁰

Therefore, it is clear that although Japan will not take any unilateral security action against China, it is likely to take cautious diplomatic measures toward the South China Sea conflict if Japan's sea lanes are circumscribed with ensuing grave consequences on the Japanese economy. For the same reason, the United States will not remain indifferent if such a disruption takes place. And, if the United States is forced to engage militarily in a South China Sea conflict, then Japan would likely provide logistic and financial assistance to the US as well as to its allies. In this respect, it is significant that Japan and the United States announced their joint declaration on April 17, 1996, calling for closer security cooperation. It is also noteworthy that the Secretary-General of the Defense Agency, Fumio Kyuma, for the first time visited Vietnam in January 1998 and agreed to hold a regular security consultation with his counterpart in Hanoi. In particular, Kyuma proposed "friendship visits" by Maritime Self-Defense Force vessels to Vietnam, the presence of a Vietnamese military attaché in Japan by the end of 1998, and the attendance of Vietnamese students at Japan's National Defense Academy. It is further reported that the

Defense Agency would seek to strengthen defense ties with the Philippines, Thailand, and other South East Asian nations.³¹ Although it is imperative to view the Spratly issue as a litmus test for Japanese foreign policy in the post-Cold War era, how Japan would approach the issue remains to be seen as to how well and effective the ARF functions in the future.

Japan's multilateral initiative and the ASEAN Regional Forum (ARF)

Ever since Foreign Minister Nakayama's proposal for a multilateral security forum in 1991, Japan has been playing an active role in promoting a security dialogue in Asia and the Pacific region. Together with the first dispatch of Japanese SDF in September 1992 and the positive statement by Prime Minister Miyazawa in Bangkok in January 1993, the establishment of the ASEAN Regional Forum (ARF) has been a diplomatic success, at least from the Japanese perspective. The question should be raised of why Japan changed its Washington-centered bilateralism in order to join ARF, and what kind of a security role Japan might play in resolving regional conflicts, including the nagging issue in the South China Sea and especially the Spratly dispute.

It was the Ministry of Foreign Affairs rather than the Defense Agency that formulated Japan's ARF policy. Either to continue the Japan-ASEAN dialogue, or to take advantage of the institutionalization of Japan-ASEAN relations, Japanese foreign ministry officials had been invited in their "private" capacities in June 1991 to attend the ASEAN-ISIS meeting aimed at preparing an ASEAN-ISIS report to the 1991 ASEAN-PMC. It became clear, according to a participant, that ASEAN and Japan had developed, in tandem, a number of similar security conceptions, including the idea that the ASEAN-PMC might be an appropriate forum for security discussions.³² At the 1991 ASEAN-PMC, Japan's Foreign Minister Taro Nakayama stated that the annual PMC meetings should become a forum for political dialogues in the field of security as well as economic cooperation and diplomacy, and proposed that senior officials of ASEAN and its dialogue partners prepare a report on security matters.³³

Convergence of regional security concepts

To put joint efforts by Japan and ASEAN into a conceptual perspective, we need to distinguish three different types of multilateral security arrangements: common security, cooperative security, and comprehensive security.³⁴

The concept of common security, originating in a report of the Palme Commission in 1982, focuses on responding to external military threats by assuring that need and common interests ensure mutual survival under strategic interdependence. The central purpose of common security is to

achieve international security through disarmament and arms control as a means to avoid ultimate nuclear warfare. It is well known that at the Conference on the Security and Cooperation in Europe (CSCE) in 1975 Western Europe adopted this strategy, which has evolved steadily and gained further legitimacy. In the 1980s, its success led to the call for similar approaches in Asia, and was later vindicated in proposals from the Soviets, Canadians, and Australians.

In September 1990, Canadian Secretary of State for External Affairs Joe Clark proposed a “North Pacific Cooperative Security Dialogue,” which was based on a new concept of “cooperative security.” The goal of cooperative security is to stabilize relations among states that are neither adversaries nor friends. It emphasizes the importance of political and diplomatic rather than military means to achieve security. Thus, the central purpose is to prevent the emergence of manifest security threats in a region bordered by the participants. It also places great emphasis on preventive diplomacy – a proactive non-military approach to security, which seeks to prevent conflict from reaching the stage where resort to military force will appear necessary. With the end of Cold War confrontation, the CSCE has transformed itself from a common security system to a cooperative security system.

However, ASEAN and Japan rejected the scheme of a North Pacific Cooperative Security Dialogue because diverse Asian countries were not ready to accept any CSCE-type security institution. Instead they came up with a new security approach, utilizing the existing framework of ASEAN-PMC. The new approach was called “comprehensive security” and gained strong backing from other countries in the region, as explained by some observers: “In sharp contrast to the strong military orientation of the Western-derived concept of ‘common security’, ‘comprehensive security’, which is perhaps the most widely endorsed security concept in the region, stresses non-military means of achieving and maintaining security.”³⁵ In other words, cooperative security would work well only if there was a supportive security organization, like the North Atlantic Treaty Organization (NATO), to complement the CSCE’s preventive diplomacy. Well-versed in the Asian security environment, Japanese leaders proposed a security forum, which was to utilize the existing security networks of PMC.

Therefore, this Japanese initiative was very significant. It was the first time Japan had endorsed a multilateral security dialogue and it was pursued while the United States was still officially opposed to the idea. In fact, the Foreign Ministry, including Yukio Sato, persuaded reluctant Americans to endorse the Nakayama proposal.³⁶ Moreover, setting up a multilateral venue for a security dialogue had another policy implication, as Sato put it: “it is important for Japan to place herself in multilateral venues, wherein the countries which are worried about the future direction of Japanese defense policy can express their concern.”³⁷ These attempts reveal the fact

that Japan wanted to utilize a multilateral security forum to complement the existing security networks, not to replace them. Accordingly, Japan envisaged its role as a “political broker” rather than a regional “policeman.” As such, Japan’s approach to the ARF was closely linked to the concept of comprehensive security, mainly developed by the Foreign Ministry. It also meant that Japan had come to endorse the extension of an “ASEAN model” of regional security.

Development of the ARF process

Attending the first ARF held in Bangkok in July 1994, Japanese Foreign Minister Yohei Kono stated that Japan would continue its basic security policies, which embraced an exclusively defense-oriented stance, the three non-nuclear principles, and the strengthening of a non-proliferation regime. Regarding regional security, Kono confirmed that the presence and engagement of the United States in the region was a prerequisite for regional peace and stability, yet efforts should be made to promote an increase of mutual confidence through the ARF process and to establish and improve the security environment from a long-term perspective. For this purpose, Kono proposed to have concrete discussions on “Mutual Reassurance Measures” in three areas: information sharing, personnel exchanges, and cooperation toward the promotion of global activities.³⁸

In February 1995, soon after China and the Philippines clashed over Mischief Reef, Manila requested that Japan intervene as a mediator by asking China to resolve the conflict peacefully. At the second ARF held in Bandar Seri Begawan in August 1995, Foreign Minister Kono responded with an avowal that Japan would like to cooperate with ASEAN in fostering a three-stage development of ARF, specifically by promoting confidence building, developing preventive diplomacy, and elaborating approaches to conflicts. He also stated that the territorial and jurisdictional dispute in the South China Sea could be properly taken up in ARF.³⁹ As a result, Japan was nominated as co-chairman of the inter-session group on confidence-building measures. In light of these developments, it would therefore not be an exaggeration to say: “That Japan, with its sudden burst of diplomatic activity had taken a leading role in establishing a multilateral security dialogue in the Asia-Pacific, was demonstrated by its having preempted US foreign policy for perhaps the first time since the Second World War.”⁴⁰

When Vietnam joined ASEAN in July 1995, the power configuration in South East Asia was about to enter a new phase. In early February, a Philippine-China row began when Manila disclosed that the Chinese had built military-style structures on Mischief Reef, just 170 kilometers off the Philippine island of Palawan. The subsequent result was the Philippine Navy’s removal of Chinese markers on Pennsylvania Reef, Jackson Atoll, Second Thomas Reef, First Thomas Shoal, and Half Moon Shoal, followed

by its detention of four Chinese fishing vessels near the contested reef.⁴¹ Although China explained its encroachment as “providing shelters for fishermen,” the incident triggered a chain reaction.

First, the incident led to the decision to modernize the Philippine armed forces, with special emphasis on a conventional army. At the same time, the Philippines approached the United States for both financial and security support. As a result, the Clinton administration (1993–2000) began to take a firmer attitude toward events in the South China Sea. The US seems to have realized the significance of an American presence in South East Asia. As one scholar put it: “Had such cooperation survived the end of the bases relationship, it is unlikely that China would have moved on Mischief Reef.”⁴²

Second, Vietnam strengthened its relations with the Philippines as well as the United States. In particular, it should be noted that in May 1995 Vietnamese Deputy Foreign Minister Vu Khoan made an unofficial visit to the US in order to bring attention to China’s recent moves in the South China Sea. Because of this, a State Department spokesman announced with added poignancy that “the United States is concerned that a pattern of unilateral actions and reactions in the South China Sea has increased tensions in that area.”⁴³

Third, Indonesia changed its traditional policy of neutrality toward China. This occurred because of the fact that China suddenly included Indonesian-owned Natuna Island into its claims for the South China Sea. As an Indonesian military source explained: “Before, we considered ourselves as outsiders. But now we have taken a look at the charts and we have seen the way China seems to be moving south and we are growing more concerned. What Chinese leaders say and what happens in the field is different.”⁴⁴

Furthermore, on December 18, 1995, Indonesia and Australia announced a security agreement which, in part, states that “they will consult in the case of adverse challenges to either party or to their common security interests and, if appropriate, consider measures which might be taken either individually or jointly and in accordance with the processes of each party.” This clause captured much attention at the ASEAN Summit in Bangkok, with speculation rampant that “it meant the agreement was aimed primarily at China.”⁴⁵ At the same time, many Indonesian scholars began to advocate a joint policy by South East Asian countries. As Juwono Sudarsono, Vice-Governor of the Institute of National Defense, declared: “South East Asian countries may have to prepare themselves for a possible military confrontation with China.”⁴⁶

And then, in March 1996 when China launched missiles against Taiwan, the Clinton administration was forced to confront China with the dispatch of two American aircraft carrier battle groups. As one official observed: “From a policy of comprehensive engagement, we have suddenly lurched into containment.”⁴⁷ Accordingly, ASEAN voiced concern over increasing

Chinese assertiveness at the third annual ARF in August 1996. In dealing with China's encroachment into disputed territories, ASEAN tried to resolve the issue within the framework of ARF, but in vain. China successfully opposed a proposal that working groups be set up within ARF to prepare policies on specific issues in between ministerial meetings. Since ARF was formed as a loose, informal, and *ad hoc* multilateral forum, it is understood that such a critical issue as the one in the South China Sea was beyond its scope. In other words, although ARF may eventually have the power to resolve concrete security issues, it is not likely to occur at any time soon.

The third ARF in July 1996 saw some progress, first in the field of confidence building, such as dialogue on security perceptions, defense policy publications, enhancement of high-level defense contacts, exchanges among defense staff colleges, training, and the UN register of conventional arms.⁴⁸ Second, ARF formulated some conditions for the admission of new members: (1) all new participants, who will all be sovereign states, must subscribe to, and work cooperatively to help achieve the ARF's key goals; (2) a new participant should be admitted only if it can be demonstrated that it has an impact on the peace and security of the "geographical footprint" of key ARF activities; (3) efforts must be made to control the number of participants to a manageable level to ensure the effectiveness of the ARF; and (4) all applications for participation should be submitted to the chairman of the ARF, who will consult all the other ARF participants at the SOM (senior official meeting) and ascertain whether a consensus exists for the admission of the new participant. Third, China's positive postures toward ARF have been all the more welcomed. However, the fact that ARF had to take up the issue of human rights and democratization suggests a growing prominence of the Western powers.

The fourth ARF, held in July 1997 in Malaysia with 21 foreign ministers from Asian and Western nations present, had very limited results. There were four main issues, consisting of human rights in Myanmar, the latest conflict in Cambodia, the Japan-US guidelines, and new developments in the Korean peninsula. Most important was the issue of human rights in Myanmar, which has proven a sticking point between ASEAN and Western members. As American Secretary of State, Madeleine Albright, urged: "It really is ASEAN's responsibility to convince the SLORC to open up a political dialogue with Aung San Suu Kyi's political party." Despite the growing pressure on Myanmar, ARF was convinced of the efficacy of its policy of "constructive engagement" because the purpose of admitting Myanmar was to keep it out of China's sphere of influence.⁴⁹ In tandem with the Cambodian coup, the participants differed over whether aid should be used to pressure Hun Sen, the second prime minister of Cambodia. Since then, the United States and Australia have suspended assistance, while Japan has insisted on the continuation of aid in an attempt to moderate Hun Sen's policies.

The fifth ARF was held in July 1998 in Manila with 21 members (9 ASEAN, 2 observers, and 10 dialogue partners) present.⁵⁰ The main issues discussed were nuclear proliferation, elections in Cambodia, human rights in Myanmar, and the security implications of Asia's financial crisis. Most important was the issue of nuclear tests by India and Pakistan, but the final statement did not refer to it directly, despite a strong request from the United States. It merely stated: "Ministers deplored the series of nuclear tests conducted recently in South Asia that exacerbated tension in the region and raised the specter of a nuclear arms race." This evasion indicates the fact that ASEAN would have to reconsider the long observed principle of "noninterference." In fact, ASEAN members for the first time addressed the issue of nuclear tests during the Foreign Ministers' Meeting where the Philippines and Thailand advocated the adoption of "flexible engagement." Although ASEAN did not agree to change the basic principle, the fact that the matter was raised at the meeting is likely to serve as a taboo-breaking event in the long run.

Against this background, it is understandable that ASEAN welcomed the Japan-US security declaration as a positive step toward a balance of power in the region. Indeed, reaffirmation of the Japanese-American mutual security pact, coupled with the deployment of US aircraft carriers during China's missile firings in the Taiwan Strait, reassured ASEAN that there was no imminent risk of war.⁵¹ Given the diversity in the Asia-Pacific region, Japan's position will be to ensure that security cooperation in this area is expected to make incremental progress and continued efforts will be necessary for the achievement of long-term regional stability. Japan has continued to stress the importance of promoting the development of ARF through the implementation of a variety of concrete cooperative measures, including the co-hosting of government meetings on confidence-building measures with Indonesia.⁵² In this respect, Japan's security is analogous to a two-wheeled cart, as Vice-Minister of the Defense Agency, Akiyama Masahiro, cogently put it: "One is the existence of bilateral alliances with the US, as exemplified by the US-Japan security arrangements. The other is the promotion of confidence building through defense exchanges and security dialogues. Only when these two wheels are turning together can we make real progress toward increased peace and stability in the region."⁵³

The next two meetings of ARF, held in July 1999 in Singapore and July 2000 in Thailand, had mixed results. Since the possibility that North Korea might launch a missile was one of the focal points at the 1999 Forum, it is significant that ARF was unanimous in regarding North Korean missile development as a destabilizing element in the region. However, ASEAN had to admit the fact that it was the United States and China, not ASEAN, that led the discussion on regional security. Although ASEAN came up with a proposal to draft a new code of conduct on the South China Sea, this ARF meeting amply demonstrated the diminishing role of ASEAN in the ARF process. In a similar vein, at the 2000 Forum,

notable in that North Korea attended for the first time, the Forum ended as a talk session, without achieving any progress in adopting a mechanism for preventive diplomacy or a code of conduct for the South China Sea conflict.⁵⁴ Without a doubt, given various proposals for reforming ARF, a deep sense of insecurity in Asia invariably persists.

Japan's leadership and the initiative for the Cambodian political turmoil

Formerly, the Indochina region (Vietnam, Laos, and Cambodia) was a politically sensitive area in Japanese foreign policy. Since the declaration of the Fukuda Doctrine in 1977 and through the Japan–ASEAN Foreign Ministers' Meeting, however, Japan's policy toward the Indochinese countries has turned out to be a positive, if not a special one. In particular, Japan's sponsorship of a conference in Tokyo in June 1990 (see p. 84), was highly regarded as a unique Japanese contribution to the Cambodian conflict. As one observer put it: "Japan's involvement in the Cambodian truce is likely to serve as a point of reference for its future political initiatives. The process of securing peace in Cambodia, which eventually came to fruition in October 1991 with the signing of a settlement in Paris, was the first occasion on which Japan clearly and deliberately attempted to play a political role in Asian affairs."⁵⁵

Thus, it was not a coincidence that the Japanese government sent its very first PKO to Cambodia in 1992. Moreover, after the Cambodian conflict, the Japanese government convened several international fora every year to assist in the reconstruction of the Cambodian economy and Indochina as a whole.⁵⁶ For instance, by the end of 1997, Japan had hosted the Forum for Comprehensive Development in Indochina in February 1995, the first Conference on Cambodia in June 1996 and the second in June 1997, and proposed a plan to develop the greater Mekong subregion in July 1997. Thus, politically and economically, Japan began to assume a "special" role in the region, which, as we will see below, was amply demonstrated in its intervention to resolve Cambodia's political turmoil in 1997.

Soon after the July 5 coup in 1997, by the second Prime Minister Hun Sen, the ASEAN countries postponed their planned invitation for Cambodia to join the regional grouping because of "unfortunate circumstances, which have resulted from the use of force." Although ASEAN could not complete its "ASEAN 10" scheme at the twenty-ninth Meeting of Foreign Ministers, ASEAN immediately formed an *ad hoc* "troika" task force comprised of the foreign ministers of Thailand, the Philippines, and Indonesia, to launch a diplomatic initiative intended to bring Cambodia back to power-sharing arrangements while retaining four conditions, namely: (1) maintaining the coalition government, (2) safeguarding the Constitution, (3) maintaining the Parliament, and (4) respecting the provisions under the 1991 Paris Peace Accords. However, ASEAN's initiative

met with immediate rejection from Hun Sen, who said that “ASEAN’s mediation is nothing but an interference into our domestic affairs.”⁵⁷

Against this backdrop, the Japanese government invited Hun Sen to Tokyo in November 1997 and coordinated its policy with the latter in order to bring about an early settlement, which was to result in a four-point proposal by the Japanese Ministry of Foreign Affairs in January 1998. These proposals were: (1) the termination of relations between First Prime Minister Ranariddh and Pol Pot factions; (2) an immediate truce between the government and Ranariddh armies; (3) early settlement of the Ranariddh trial and the provision of a royal pardon; and (4) the safe return of Ranariddh and his guaranteed participation in the coming elections.⁵⁸ After Hun Sen’s endorsement of Japan’s proposals in February, all four conditions were met by the end of March, thereby paving the way for the elections scheduled in July. A major obstacle to Cambodia’s future was settled on March 21 when Cambodian King Norodom Sihanouk pardoned his son, Ranariddh, which cleared the way for the prince to run in elections. Thus, Ranariddh’s four-day return in March was a key step in the peace process under the terms of the Japanese peace plan.⁵⁹

The election was held on July 26, 1998, which resulted in Hun Sen’s victory over the party of Ranariddh’s Funcinpec. Soon after the election, both leaders went into a deadlock before ultimately forging a coalition government. The Japanese government again mediated the conflict with the support of ASEAN, especially the Thai Foreign Ministry. As a result of active mediation, a coalition government under Hun Sen’s premiership was finally established on November 30. Without a doubt, what happened to Cambodia between 1990 and 1998 underscores the critical role played by the Japanese government. Foreign Minister Masahiko Komura described it as “scoring a victory in Japanese foreign policy that has created a foundation for the self-help mechanism in Cambodia.”⁶⁰ To consolidate the Hun Sen regime, Japan convened the third Cambodian Conference in Tokyo in February 1999.⁶¹ Indeed, this provides a good example of Japan’s fine-tuning of economic, political, and security networking.

Summary

The above analysis suggests that Tokyo’s formulation of a “comprehensive security” policy in the early 1980s corresponded closely to ASEAN’s pursuit of “national and regional resilience,” which eventually resulted in joint sponsorship for ARF in the early 1990s. Although it is quite significant that Japan and ASEAN have taken ARF seriously, it does not mean that multilateralism will be a substitute for more conventional security approaches, especially the balance-of-power approach. Why, might we ask, is this the case? As Professor Masashi Nishihara hypothesizes, security multilateralism is likely to succeed only when the following three requirements are met: (1) no major actual adversaries exist in the region concerned;

(2) potential adversaries are willing to participate in discussion; and (3) if, after discussion, potential adversaries are willing to participate in joint action plans. There are ample reasons why ARF faces insurmountable obstacles.⁶² However, it would also be underestimating ARF to view the group merely as “a valuable adjunct to the workings of the balance of power in helping to deny dominance to a rising regional power with hegemonic power.”⁶³ More significantly, ARF can be seen as a “mechanism for defusing the conflictual by-products of power.”⁶⁴ If so, this interpretation of ARF will lead us to a new task of combining the “balance-of-power” and “multilateral security” approaches to achieve the best policy to be pursued in the region.

Indeed, the study of international and national security has come under close scrutiny again in recent years, as David Baldwin contends: “the field of security studies seems poorly equipped to deal with the post-Cold War world, having emerged from the Cold War with a narrow military conception of national security and a tendency to assert its primacy over other public policy goals. Its preoccupation with military statecraft limits its ability to address the many foreign and domestic problems that are not amenable to military solutions.”⁶⁵ Should this be the case, our focus on the concept of “comprehensive security,” as shared and propounded by Japan and ASEAN, could shed some light on the future concept of national and regional security for East Asia as well as other regions. The intent here is to replace the Cold War security structure with a multilateral process and framework, with the following attributes: (1) it must be geared toward reassurance, rather than deterrence; and (2) it must promote both military and non-military security.⁶⁶

Both Japan and ASEAN have come to share a similar approach to their respective security needs, although their emphasis differs. While the Japanese version is strongly influenced by the fear of vulnerability to unpredictable changes in the world economy, the ASEAN version puts more emphasis on internal cohesion and regional dimensions. Nevertheless, judging from their shared orientation, Japan and ASEAN are in a better position to undertake the formulation of an alternative concept of security. For instance, with the help of Japan’s experience in promoting “comprehensive security,” Japan could provide specific ideas and proposals on preventive diplomacy and conflict-management. More specifically, the new concept would stress the following three tasks: (1) each state would strengthen its legitimacy by adjusting itself to changing societal needs and demands so as to promote a social strata which supports rationales and cooperative policies of the state; (2) while maintaining stability in interstate relations by the optimal formulation of balance of power and dialogue mechanism, this “diplomatic culture” would be expected in the long run to influence more and more the behavior of the states; and (3) in tandem with progress in industrialization and industrial interdependence beyond

state borders, each state would come to terms with common interests to deal with the management risks emanating from this interdependence.⁶⁷

From an historical perspective, Japan's role in South East Asia has shifted since the mid-1970s from a purely economic to a low-profile political one. During the second period, Japan's economic leadership has been less aggressive with more respect for the role and interests of ASEAN. This pattern is likely to continue into the twenty-first century. On the other hand, Japan's political role has been expanded substantially, as we have seen through the examples of the MAI, the Tokyo meeting, and active participation in ARF. These cases of Japan's political networking differ significantly from the political role executed by Tokyo during the first period, which was merely the provision of a place for negotiations. The third period of Japan–South East Asian relations can be foreseen, in which Japan's low profile and indirect security role will continue to be called upon. We have also noticed that the core centripetal force in maintaining stability and prosperity in the region is still the “tripartite” relations between Japan, South East Asia, and the United States. With the passage of the Guidelines legislation on May 24, 1999, it has become possible for Japan to support the activities of US forces in “situations in areas surrounding Japan that have an important influence on Japan's peace and security” – situations short of a direct armed attack on Japan.⁶⁸

Nevertheless, it is evident that a Japan–South East Asian multilateral partnership needs to be strengthened in parallel with the traditional Japan–US bilateralism. In this case, Japan needs a grand design in order to utilize its economic prowess for a more stable and prosperous South East Asia. Such a scenario would engender the confidence of South East Asian countries in asking for greater Japanese involvement in the region purely for each other's mutual benefit. Therefore, as part of promoting the ARF functions as well as the widening and deepening of Japan's politico-security role, Japan needs to strengthen its security consultations with the ASEAN countries. Given the increasing interdependence between Japan and the ASEAN countries, what is anticipated is a new strategy to forge a “security community” based on the strengthened Track Two Dialogues, in order to foster peace and prosperity in South East Asia.

6 Molding a new regionalism in East Asia

Japanese leadership in the 1990s

Creating “Asia” and setting it as one of the criteria for their own actions is a matter of Asians’ political will and ability. The fact is that we have entered an age in which Asia must act in a unified way and in which Japan must shoulder a large part of the leadership needed to achieve that.

(Kazuo Ogura, Foreign Ministry official, 1999)¹

Japanese paralysis in regional policy?

The post-Cold War period resulting from the Malta Summit between the United States and the former Soviet Union in December 1989 found intensified interactions among the South East Asian countries, with two unique features: the advent of a post-hegemonic era and a new regionalism, as we have seen in the previous chapters. Inadvertently, the reduction of tension in South East Asia led to the political settlement of the thirteen-year long Cambodian conflict in October 1991. Given the remarkable economic growth of Asian countries in general, the next task was to assist in reconstructing this war-torn country, while bringing the other Indochinese countries and Myanmar to share in the economic dynamism of the region.

At the same time, Japan demonstrated notable leadership in its foreign policy toward East Asia in the 1990s. For instance, Japan lifted sanctions against China after the Tiananmen incident much sooner than Western countries and provided aid to Vietnam and Myanmar despite US embargoes. Accordingly, a steady development of Japan’s role and status and a gradual decline of America’s hegemonic role in the early 1990s triggered a debate over an alleged “rivalry” between Japan and the United States.² In a nutshell, the debate was centered on whether or not Japan would takeover the role of the US in the region.

However, the 1997 financial crisis in East Asia changed the nature of the debate. Given the unprecedented economic stagnation caused by the bursting of the bubble economy, Japan’s regional policy began to show its paralysis, as one observer put it:

Japan enters the twenty-first century still languishing in the “lost decade” of the 1990s. Much of its elite knows that country still has to confront its economic problems, its lack of political dynamism and the inadequacy of its communication infrastructure and skills. These diminishing expectations and Japan’s preoccupation with domestic problems have greatly constrained its diplomatic maneuverability. The changing world order has eroded Japan’s confidence in its traditional foreign policy habits: reliance on the US-Japan alliance, economics-led regional diplomacy and the G-7 trilateralist order.³

Japan in the late 1990s, with the mounting aftermath of the bubble economy, faced its paralysis on all fronts: domestic, regional, and international.

However, if we look at specific areas of Japanese foreign relations, we can see some positive diplomatic initiatives and accomplishments in the 1990s. Analyzing these policy initiatives, we contend that despite the difficult decade of the 1990s, Japan’s quiet networking efforts led to the formation of a new regionalism in East Asia.⁴ Based on the success of a new regional movement in South East Asia up until the mid-1990s and the critical issue of Japanese leadership, therefore, this chapter examines the changing nature of Japan–South East Asia relations in the 1990s in order to find out what kind of leadership role Japan and the countries of South East Asia are developing in East Asia. The question here is to determine how successful Japanese attempts have been in molding a new regionalism in East Asia.

First case: Japan’s approach to APEC, EAEC, and ASEM

Asia Pacific Economic Cooperation (APEC)

When the intergovernmental APEC was launched in November 1989, like its predecessor the Pacific Economic Cooperation Conference (PECC), the organization most affected was the Association of South East Asian Nations (ASEAN). As one scholar put it: “The climate of the 1980s changed and while ASEAN has considered strengthening itself for ten years, there has been no real pressure to do so, and an attitude of ‘let nature take its way’ has prevented any substantial change. Now, real competition has emerged, and ASEAN seems more determined to preserve what it has built.”⁵ Indeed, with the decline of US hegemonic power, the rise of multipolarity, and the increasing trend toward regional economic groupings, ASEAN found it necessary to reappraise carefully the impact of these changes on the organization’s cohesiveness, collective bargaining power, and leverage.

From the outset, therefore, ASEAN had reason to regard APEC with caution. These concerns were explained by Indonesian Foreign Minister

Ali Alatas in the following six point statement, which has become known as the “Kuchin consensus”: (1) APEC should not dilute the identity or limit the role of any existing regional groups; (2) APEC should be based on principles of equality, equity, and mutual benefit; (3) APEC should not be made into an inward-looking trading bloc; (4) APEC should essentially remain a forum for consultation and cooperation on economic issues; (5) APEC should strengthen the capacity of participants to promote their common interests; and (6) APEC should proceed gradually and pragmatically.⁶ Hence, ASEAN faced a dilemma in that it could not totally reject APEC, because ASEAN was aware that the best means of engaging Washington in Asian affairs was through APEC.

Thus, when US President Clinton called for an APEC summit for the purpose of institutionalizing the organization, ASEAN gave a rather mixed response. This was demonstrated by the fact that most nations sent their top leaders to the summit but Malaysia only a low-rank official as a gesture of protest. Nevertheless, the most critical concern had to do with the fear that ASEAN could be subsumed as part of the global production and sourcing network of the larger economies, such as Japan and the US. To preclude this possibility, ASEAN needed to balance APEC with the proposed East Asian Economic Caucus in order to stimulate the North American Free Trade Agreement (NAFTA) and ASEAN Free Trade Area (AFTA).⁷

Therefore, Japan’s policy toward APEC was characterized by a low-profile stance, sandwiched between a cautious ASEAN and a flamboyant Washington, and internally divided by its Foreign Ministry and the International Trade and Industry Ministry (MITI).⁸ Having met 11 times between 1989 and 1999, APEC ministerial meetings have had limited results, such as the agreement at the second meeting in Singapore of seven projects to study, the adoption of the Seoul Declaration in 1991, and the establishment at the fourth meeting of a permanent secretariat in Singapore.⁹ Given that there are many unresolved sensitive issues among the member countries, it is still difficult to conclude that an Asia-Pacific regime is firmly grounded, mainly because of the opposing views on whether APEC should be institutionalized or not. In this regard, Japan is expected to play the role of arbiter between Asia and the US.

To avoid having to choose between US-centric and Asia-centric strategies, however, the Japanese sought a “middle-of-the-road” strategy, called “open regionalism.” Despite the semantics problem of whether there really can be “open” regionalism, in the sense that regionalism is invariably restricted to certain member countries, this strategy of “open regionalism” gained in strength in Japan during the 1990s. For instance, partly because of the PECC statement on “open regionalism” in September 1992, economic analyst Kiyoshi Kojima argued that APEC could strengthen globalism because its concept of open regionalism encompasses integrative processes that contain no element of exclusion or discrimination against

outsiders, while maintaining an open global trading system in the spirit of the General Agreement on Tariffs and Trade (GATT).¹⁰

Under these circumstances, Japanese Foreign Minister Hata made Japan's position clear by stating five basic principles in 1993: (1) due attention to the different stage of development and diversity of each member; (2) gradualism with consensus and consultation rather than negotiation; (3) consistency with GATT; (4) open regionalism and unconditional provision on a Most-Favored Nation basis; and (5) intensive consultation and dialogue with non-members.¹¹ Leaning toward the position of ASEAN, Japan's adherence to open regionalism is quite significant because of the belief that ASEAN could lead APEC from behind, or as one observer succinctly put it: "APEC will continue to be 'nested' in ASEAN in that the subregional organization is playing a central role in molding the direction of APEC to be consistent with the goals of ASEAN economic cooperation."¹²

At the 1993 APEC leaders' meeting in Seattle, Japan was a strong supporter of the US. It seemed that both Washington D.C. and Tokyo shared the view, albeit conveyed in their own terms, that APEC would provide diplomatic as well as economic leverage. With the earlier conflict between MITI and the Foreign Ministry put behind it, Tokyo became increasingly active in transforming APEC into a type of Organization for Economic Cooperation and Development (OECD). Thus, the Japanese government regarded the hosting of the third summit in Osaka in November 1995 as a significant event in Japan's APEC policy development. Since the previous Bogor meeting had clarified a timetable for the liberalization of trade and investment, the one in Osaka was expected to take on the daunting task of mapping out a concrete blueprint in order to realize the agreed goals.¹³

The nature of APEC's role between 1997 and 1999 changed significantly due to the East Asian financial crisis. The 1998 APEC meeting in Kuala Lumpur, for instance, contested whether domestic problems of the member countries were the main cause for the financial crisis, whereas the 1999 meeting was largely concerned with resolving the East Timor issue. As a result, the voices for dissolving APEC summit meetings gained strength in East Asia.¹⁴

East Asian Economic Caucus (EAEC)

The proposal for the establishment of EAEC in December 1990 was unique in that for the first time Japan was asked to clarify its political role by the South East Asian countries. As one scholar concluded:

A strong leadership can come only from a member economy, which stands tall in the global arena. Indonesia is much too small to play this role meaningfully. Even China cannot take on this role, despite

its size, as it is still a marginal player in the international trade and investment spheres and it has a long way to go before it can get fully integrated into the global market economy. This line of reasoning would inevitably lead us to only one possibility, that is, Japan as the leader of the EAEC.¹⁵

Ever since Malaysian Prime Minister Mahathir asked Japan to join EAEC, Japan's position has vacillated, reflecting the substantial debate within Japan. Prime Minister Toshiki Kaifu suggested that Mahathir "study the proposal more carefully" and said that he would consider it if the proposal became an ASEAN scheme. But then, when EAEC became an ASEAN scheme, Prime Minister Kiichi Miyazawa cautiously rejected it, saying that "the Asia-Pacific region should continue to be open in order to prevent the emergence of a fortress NAFTA and EC."¹⁶

In an attempt to consolidate regionalism, Eiichi Furukawa, head of the Japan Center for International Strategies and a former Foreign Ministry officer, strongly urged Japan to support EAEC. As he explained:

Japan today, on the other hand, is isolated without such a firm basis of support in Asia. No matter how huge its economic power is, Japan remains in a weak position. Fortunately, ASEAN countries have offered support. It is encouraging. It will also help stabilize the relations among Japan, the United States and the EC at international talks, including the G-7 meetings and summit talks. This is what the East Asia Economic Caucus plan means.¹⁷

Accordingly, Furukawa embarked on a series of activities to arouse the public to support EAEC.

However, the Foreign Ministry, reflecting a US-first policy, demurred, given that Washington had even asked Tokyo to reject the proposal. Thus, at the third APEC meeting in Seoul, Japan expressed its firm support for the APEC process and emphasized the danger of "closed" regionalism (i.e., EAEC). Japan's efforts to reject EAEC escalated until early 1993, as exemplified by governmental groups as well as official white papers, including the Economic Planning Agency's White Paper on the World Economy. The only exception was Kazuo Ogura, a Foreign Ministry official, who had been openly advocating closer Japanese identification with East Asia.¹⁸

A significant turning point came in early 1993 when Washington reassessed the function of EAEC. Following Washington's reappraisal, Tokyo came to terms with EAEC, whose function then was to accommodate APEC. Within Japan, a bipartisan committee to promote EAEC was organized in March with the participation of a few prominent political figures, such as Ryutaro Hashimoto and Hiroshi Mitsuzuka from the LDP and Tomiichi Murayama of the Socialist Party.¹⁹ Although the question of Japan's participation remained unsettled, MITI expressed less reluctance

than before about support for the EAEC proposal. But the Foreign Ministry still remained wary of the proposal, strengthening the view that Japan would prefer others in the region to take the initiative. Understandably, Mahathir's comments on Japan's attitude took on a harsh tone, as was evident when he stated:

We are disappointed when Japanese officials asked us to explain and explain all over again what the EAEC is all about. Even those officials who have served for years in South East Asia claim that they do not know about the EAEC. We are saddened by this. The only Asian country with the ability to help Asian countries refuses to do so but instead demands to know why America is not included, why Australia and New Zealand are not included? The answer is obvious. They are not East Asians.²⁰

In late 1994, new developments were unraveling due to the persistent efforts of ASEAN. First, ASEAN attempted to create EAEC in a new form, such as a special luncheon or a ministerial meeting among the East Asian countries. In fact, soon after holding an informal Foreign Ministers' Meeting in July 1994, the ASEAN economic ministers' meeting in Chiang Mai decided to convene another such meeting and invite the EAEC countries. In April 1995, however, the Japanese government suddenly decided not to participate in the scheduled economic meeting in Phuket, out of apparent concern that it could be a *de facto* preparatory event for EAEC's inclusion, and because the scheduled meeting left out Australia and New Zealand.²¹ It was unfortunate that Japan's decision ultimately forced ASEAN to eschew the meeting in Phuket.

Second, ASEAN announced a policy of forming a high-level meeting with the European Union (EU) in October 1994, to which Japanese business groups responded positively by expressing their support for the EAEC. The Federation of Economic Organization (Keidanren), for instance, asked the Japanese government to participate in EAEC by citing the fact that private-level cooperation among the EAEC countries had already taken place.²² However, when the Organization sent its mission to the ASEAN countries in February 1995, its position toward EAEC became more negative, partly because of American pressure directed through its embassy in Tokyo.²³ Nevertheless, Tokyo's positive attitude toward consolidating East Asian regionalism was induced partly by the EU's approval of East Asian regionalism in the form of an Asia-Europe Meeting.

These events, in turn, led to a couple of favorable developments in realizing the proposed EAEC. First of all, private initiatives attracted the public's attention in many parts of Japan, notably, those of Kanagawa and Oita. Morihiko Hiramatsu, Governor of Oita Prefecture, strongly advocated the concept by organizing a conference of local governments in East Asia. Hiramatsu publicly expressed his readiness to support the

proposal by saying: "If the Japanese government cannot publicly support EAEC, we, local governors in Kyushu, want to promote it in Japan." In April 1994, furthermore, Mahathir was invited to the first conference of East Asian local authorities, which was held in Oita, and was given the opportunity to introduce his proposal to local governors in Kyushu. This local initiative continued through the 1990s.²⁴

Another notable development was the institutionalization of the so-called "ASEAN plus 3" to implement the objectives of the EAEC. Since the first East Asian summit in December 1997, East Asian leaders had been actively engaged in a search to find a proper region-wide forum. At the following informal summit meeting held a year later in Hanoi, for instance, Chinese Vice-President Hu Jintao proposed a meeting of ASEAN financial officials together with their counterparts in China, Japan, and South Korea to tackle the financial crisis. This meeting was held in March 1999,²⁵ at which time an agreement was reportedly reached for institutionalizing the East Asian Summit. As a strong supporter, Eiichi Furukawa triumphantly stated: "The idea was realized exactly eight years later, having been delayed by strong objections from the United States and Australia."²⁶ A few months later, Mahathir also acknowledged the progress by commenting: "We are still pushing for its formation. But there are already informal forums involving ASEAN and the three. This is EAEC though we do not call it as such."²⁷

Asia–Europe Meeting (ASEM)

In March 1996, ASEAN successfully convened its first top-level meeting with European leaders in Bangkok, also inviting Japan, South Korea, and China. The first Asia–Europe Meeting (ASEM) was heralded for its groundbreaking attempt to strengthen ties between Asia and Europe, which had been the relatively weak link in the triangle of Asia–Europe–North American relations. The key objectives of ASEM were stated as enhancing the mutual understanding and benefit of Asia and Europe, and contributing to the establishment of a new world order through dialogue and cooperation. To this end, the strengthening of dialogue and cooperation between these two regions on political, economic, cultural, and global issues, as well as a wide range of other issues, was included in the chairman's statement of the March Meeting.²⁸ It is interesting to note that Japan, who opposed ASEM at first because of its exclusion of Australia and New Zealand, finally joined the meeting.

The success of the first ASEM in Bangkok positively affected Japan's perception that ASEAN is likely to encourage open regionalism. Accordingly, when ASEAN decided to hold the very first summit meeting with East Asian nations, Japan regarded it as a unique opportunity to realize greater Japanese involvement in East Asia. Thus, stimulated by the first ASEM's success, Prime Minister Hashimoto declared at the Japan–ASEAN

meeting on December 16, 1997, the “Hashimoto initiative” which was based on a package of measures to help the ASEAN members recover from the financial crisis. Although the meeting was derided by some observers as lacking in concrete achievements, the very first East Asian conference was nonetheless a historical event, for such meetings would over time foster a sense of unity among East Asian countries.

The second ASEM in London in April 1998 was more significant, in terms of Japan’s initiative to consolidate “East Asianness” at the meeting. There have been two notable indications of this. One is Japan’s closer identification with other East Asian countries in demanding more extensive European involvement in Asian affairs. The other is the East Asian expectation for Japan to take on a greater role in defending and in developing ways for Asia to handle its own affairs. In other words, through coordinated efforts between the ASEAN countries and other Asian neighbors, Japan’s sense of identification in East Asia has been strengthened.²⁹ Needless to say, the absence of any American objection toward ASEM has removed a potential stumbling bloc for Japan’s development of an East Asian policy.

Second case: Redefinition of the Japan–US Security Treaty and ASEAN

Japan’s domestic politics went through a major change in 1993, following the collapse of the Liberal Democratic Party (LDP) rule. With the change in Japanese politics, its new leader was expected to advocate bold steps in foreign as well as domestic policy. One such step took place in February 1994, when Prime Minister Hosokawa formed a private advisory commission to examine the 1978 National Defense Program Outline (NDPO) that was to be promulgated in 1996. More importantly, in June 1994 the LDP returned to power in a coalition with the Socialists – an unprecedented event that took everyone by surprise. The United States saw this as a sign of Japan drifting rapidly away from their security alliance.

The July 1995 draft report by the advisory group to the Pentagon caught the attention of the US administration’s two top Japan watchers, Joseph Nye and Ezra Vogel, because: “Rather than reaffirming the centrality of the US alliance to Japan’s security, the report made broad and ambiguous recommendations that could be read variously as a road map for UN-centered pacifism, military unilateralism, or a strengthened US–Japan alliance.”³⁰ Convinced that the US had to act quickly and decisively, the Nye team went immediately to work on a set of initiatives to engage Japan and the Asia-Pacific region.

The result was a new United States Security Strategy for the East Asia-Pacific Region, which, *in toto*, promised to maintain 100,000 troops in East Asia for the foreseeable future and to strengthen America’s networks of bilateral alliances. Influenced by the Nye initiative, Japan released a new

NDPO in November 1995. The final NDPO regarded the Japan–US alliance as indispensable and stressed the need to enhance the credibility of security arrangements and to ensure their effective implementation. The official view was that multilateral initiatives seemed to complement the bilateral alliance by linking Japan’s participation in multilateral activities to the alliance. Thus, the Nye initiative was quite significant in that both Japan and the United States could mutually agree to redefine their security alliance with added elements of a regional security role for Japan, despite the nascent Okinawa problem.³¹

Furthermore, in April 1996, Japanese Prime Minister Hashimoto and US President Clinton issued a joint declaration calling for a closer exploration of policies “dealing with situations that may emerge in the areas surrounding Japan and which will have an important influence on the peace and security of Japan.” There were three major agreements.³² First, Japan agreed to assist both financially and substantively with the consolidation and realignment of the Okinawa bases. Second, the Japanese government promised to strengthen bilateral defense cooperation. Third, Japan and the United States stressed the need for the two countries to work “jointly and individually to achieve a more peaceful and stable security environment in the Asia-Pacific region.” Most importantly, the joint declaration specified: “The President and the Prime Minister reaffirmed that the two governments will continue working jointly and with other countries in the region to further develop multilateral regional security dialogues and cooperation mechanisms such as the ASEAN Regional Forum, and eventually, security dialogues regarding Northeast Asia.”³³

The document also highlighted the following four points: (1) cooperation with China with the aim of encouraging China to play a positive and constructive role in the region; (2) encouragement of and cooperation with Russia’s ongoing progress of reform, and reaffirmation of full normalization of Japan–Russia relations as important to regional peace and stability; (3) continuation of efforts regarding stability on the Korean Peninsula in cooperation with South Korea; and (4) development of multilateral regional security dialogues and cooperation mechanisms, such as the ASEAN Regional Forum, and eventually, security dialogues regarding Northeast Asia. This so-called redefinition of the Security Treaty was particularly concerned with the contentious Far East clause (i.e., Article 6) that defines the scope of Japanese defense. The new interpretation of it considered “Japan’s neighboring regions,” which included the Korean Peninsula, the South China Sea, and possibly the Malacca Straits.³⁴

In reaction to this declaration, China vehemently objected, saying that both Japan and the United States conjured up the “China threat” by portraying China as a potential enemy in the declaration. Beijing’s fear that the US and Japan would cooperate to contain China militarily was exacerbated by the possibility that Japan would deploy a theater missile defense (TMD) system, which would be jointly developed with the United States.³⁵

In September 1997, Hashimoto and Clinton issued new security guidelines for the post-Cold War era in order to deal with the volatile situation on the Korean Peninsula, the unresolved crisis across the Taiwan Strait, and other potential problems in the Asia-Pacific region. Although the new document explained that the concept of the “situation in areas surrounding Japan” is “not geographical but situational,” officials from several Asian nations expressed concern about the expanded security role of Japan. To ease this anxiety, Japan proposed “a trilateral security dialogue” that could evolve into a formal mechanism by which Japan and the United States would consult with China, as well as its neighbors, on security matters.³⁶ Without a doubt, this agreement would bode well for the formation of multilateral security networks in Asia.

The ASEAN countries, in particular, countenanced the redefinition of Japan–US security relations for, as one observer explained:

a strong US presence in the region is always a prerequisite for a healthy and positive balance of power in the region. And since that is to be maintained primarily through the US–Japan alliance, it has become a real anchor for peace and stability in the region, although burden-sharing with others in the region, including ASEAN, is also becoming more important for keeping the support for the alliance in the US and Japan.³⁷

Masashi Nishihara, who was involved in the process as an academic advisor, even suggested that one of the intentions behind the redefinition was to give a psychological boost to the ASEAN countries.³⁸

In October 1998, the Philippines found that China had expanded the “shelter” on Mischief Reef from two to four. In addition, Manila identified several Chinese vessels, four of which Manila claimed were military supply ships, that could have been supplying construction materials for fortifications. This intransigent expansion of a Chinese presence in the contested area gave rise to a renewed concern among ASEAN countries which, as a South East Asian strategist put it: “It was very irresponsible and intimidating. China’s recent action does not bode well for confidence-building and regional security.”³⁹ One way of dealing with this threat was to strengthen security relations between Japan and the US. The 1998 East Asian Strategic Report by the US Department of Defense stressed the importance of this alliance: “In the next century the US–Japan alliance will remain the linchpin of our regional security policy and must therefore continue preparing to respond to regional threats and to engage in preventive diplomacy.”⁴⁰

Since 1999, there have been some notable developments. The conflict over the Mischief Reef in the South China Sea has been escalating, with China building fort-like structures and the Philippines detaining 20 Chinese fishermen. After a series of acrimonious exchanges, the two sides met in

March in Manila to discuss the issue, but little was accomplished. Later, while visiting Japan, Philippine President Estrada stressed the importance of the Japan–US guidelines in dealing with a growing Chinese influence in East Asia. Then, on May 23, a Philippine navy patrol boat sank a Chinese fishing vessel near a disputed shoal in the South China Sea. This undoubtedly affected the Philippine Senates' vote on their military agreement with the United States. Accordingly, the pact agreed with the United States was expected to strengthen regional stability while also closely linking the Philippines with the Japan–US alliance.⁴¹

Third case: Japan's leadership and initiatives for resolving the East Asian financial crisis

By the end of the 1980s, many had come to regard East Asia as a growth center of the world economy. Designated as “the East Asian Miracle,” the World Bank, in particular, attributed East Asian success to the steady growth of export-oriented manufacturing industries and Japan's contribution to the virtual cycle of industrial growth by supplying not only capital, but also critically needed production and process technology.⁴² Indeed, the rapid revaluation of the yen led to Japan's economic surge into East Asia and, by the early 1990s, Japan had become the largest foreign investor in most of the countries in the region. Japan was so successful that some scholars advanced the dissenting view that the Japanese government and multinational firms were not promoting an inward-looking trading regime in East Asia but instead were building a high-technology production alliance that tended to be exclusionary.⁴³

This outline of the “East Asian Miracle” suggests that growing political and economic links between Japan and the rest of East Asia were bound to raise the question of the possibility of Japan's forming a separate economic bloc. As one observer explained: “The idea of forming a yen bloc will become mature when the economic benefit surpasses the political cost. Malaysia's proposal of forming an East Asian Economic Caucus, in which Japan is expected to play a leading role while the United States is excluded, suggests that a yen bloc is no longer an idea ahead of its time.”⁴⁴ An earlier indication of this came in the late 1980s, when the Plaza Agreement led to the appreciation of the yen, which pushed a massive inflow of Japanese investment into East Asia.

To what extent, then, was the yen used for Japan's trade settlements within East Asia? According to 1994 data, compiled by MITI, with Japan's main East Asian trading partners, the yen was used for 52 percent of exports and 30 percent of imports, while 45 percent of exports and 67 percent of imports were denominated in dollars.⁴⁵ Although the dollar remained the dominant currency in Asia's international trade, Asian countries were expected to use more yen in their trade deals, for two reasons. First, intra-regional trade among the NIEs, ASEAN, and China was

increasing. Second, the relative weight of the region's trade with the United States was on the decline, amounting to only 19 percent of total trade in 1992.⁴⁶

To promote greater use of the yen, Japan and ASEAN began to seek a joint venue. In April 1995, for instance, in its package of emergency measures for coping with the appreciation of the yen, the Japanese government for the first time announced that it would promote greater use of the yen in Japan's international trade and establish a more intimate relationship with the monetary authorities of other East Asian countries. This step was quite significant because "the notion that Japan has a duty to give the yen a regional, if not a global, role marks a sharp departure from the insular view favored by Japan's financial elite in the past."⁴⁷ At the same time, the Japanese government concluded a bond repurchase agreement (or so-called REPO agreement) with Indonesia, Malaysia, the Philippines, Singapore, and Thailand in April 1995, and convened the first meeting of the East Asia-Pacific Central Bank Executives (EMEAP) in July 1996.⁴⁸

Proposal for an East Asian IMF

The highpoint of the financial crisis came in the middle of 1997 when Thailand devalued its currency and announced a policy to adopt a floating exchange system. Soon after the July 2 devaluation of the baht, the Japanese Finance Ministry began discussions with key Asian countries over a possible rescue plan, due to the shared fear that the Thai currency crisis might trigger a chain reaction in neighboring economies.⁴⁹ Despite insurmountable economic difficulties, therefore, Japan determined to play a leading role – without American participation – in mobilizing international support for a rescue package in August 1997. The resulting Tokyo meeting was significant because it was the first time since World War II that Japan took the lead and laid down a new framework for regional economic cooperation. The striking fact is that the United States failed to respond on a bilateral basis. It appeared that Washington would never act as a central bank for East Asia. Japan's rather swift response and handling of the situation could be interpreted as having another implication, as one Thai newspaper explained: "With the exception of the powerful presence of the International Monetary Fund, Japan has led the pack of neighboring countries providing Thailand with a \$16.7 billion bailout fund, almost amounting to a *de facto* East Asian Economic Caucus, as proposed by Malaysia."⁵⁰

Furthermore, through joint efforts toward resolving the financial crisis, Japan and the ASEAN countries came up with a proposal to set up an "Asian Monetary Fund (AMF)," which was proposed formally on September 20, 1997, with two objectives: (1) the IMF surveillance mechanism will be supplemented with local surveillance by the AMF in the region;

and (2) in accordance with the IMF economic adjustment program, participants of the AMF will engage in financial support of the troubled countries in the region. The idea, akin to the US Treasury's Exchange Stabilization Fund for Mexico, was to establish a \$100 billion Asian bailout fund, consisting of money to be pooled by Japan and the ASEAN countries.⁵¹ Like EAEC, its underlying rationale was, in any exigency, to be able to deal with regional economic problems locally simply because international organizations, such as the IMF or the World Bank, have serious deficiencies for handling regional crises. Besides, as many Asian leaders contended, IMF's offers of financial assistance come with strict conditions, a *sine qua non* for domestic adjustment policies. In September 1997, Japan offered Thailand a soft-loan package of \$900 million. It was the second largest amount in the history of yen loans to Thailand. This offer was separate from any IMF or possible AMF initiatives. And, in contrast to IMF loans, the Japanese funds did not come with any reformist strings attached.

Most importantly, the proposal for the AMF was significant in terms of Japan's leadership, as one observer pointed out:

Japan's political leadership seems to have been considering moving beyond 'leadership from behind' prior to the birth of the AMF proposal. During a number of visits to other Asian capitals, Mr. Hashimoto has spoken of the need for a more vigorous Japanese foreign policy toward Asia. Some analysts interpreted Mr. Sakakibara's promotion earlier this year to the powerful position of vice finance minister for international affairs as reflecting the prime minister's desire to craft a series of more ambitious foreign economic policy initiatives.⁵²

In other words, Japan had, for the first time, executed two main components of leadership: the supply of a coherent set of ideas and the provision of resources.

Led by the policy entrepreneur, Eisuke Sakakibara, the Finance Ministry took some initiatives expeditiously. First of all, Sakakibara prepared a draft for the AMF proposal, while exploring the possibility of an Asian fund with his counterparts in East Asia and the United States. According to Sakakibara, although East Asians supported the proposal, Washington's immediate reaction was negative. Second, the Finance Ministry sent the proposal to ten East Asian countries in order to discuss it at the upcoming IMF and World Bank meeting in September in Hong Kong. Sakakibara thought that the agreement might be possible due to a lingering high expectation for regional cooperation among East Asian countries. In fact, at the meeting on September 21, 1997, ASEAN and South Korea supported the AMF while the United States instead proposed a surveillance system, and Australia, Hong Kong, and China remained somewhat neutral.⁵³

However, after this meeting, the United States strongly opposed the AMF idea, which it feared could directly challenge the function of the

IMF.⁵⁴ In particular, US officials worried that an independent regional fund for international bailouts would not carry stringent austerity conditions. In other words, the US did not criticize Japan's failure to do enough to help. "If anything," according to one observer, "Washington believed that Japan was doing too much."⁵⁵ In early November, Sakakibara went to Washington to lay the groundwork for the coming Manila conference by mending the differences between Japan and the United States. Through the negotiations, the following agreement came on November 5: first, the IMF emergency loan system should be strengthened; second, the IMF Tokyo office would be responsible for the surveillance of the regional economy; and third, the IMF's information disclosure standards should be strictly applied for nations in the region.⁵⁶

Due to American opposition, representatives from the Asia-Pacific countries at the financial meeting held in November 1997 in Manila decided to seek a looser arrangement involving a regional commitment to pool resources at a time of crisis, rather than setting up a permanent fund. The resulting agreement included four areas of cooperation: (1) a mechanism for regional economic surveillance to complement the IMF's global role; (2) enhanced economic and technical cooperation in strengthening domestic financial systems and regulatory mechanisms; (3) measures to bolster the IMF's ability to respond to financial crises; and (4) a cooperative financing arrangement that would supplement IMF resources.⁵⁷ Although Sakakibara admitted the miscarriage of the AMF attempt, he knew that this compromise was far from sufficient to resolve the financial crisis. Suffice it to say that APEC leaders in November 1997 could not reach any agreement that would alleviate the crisis, except for announcing some preventive policies along the lines of IMF.⁵⁸

Against this backdrop, the Hashimoto administration could have come up with more decisive measures to boost ASEAN economies at the first-ever Summit between ASEAN and East Asian leaders in December 1997. Reflecting the economic difficulties in Japan, Hashimoto announced only an \$18.5 billion trade insurance credit line and pledged to apply "most-preferential" low-interest loans to "cross-border, infrastructure projects" such as the construction of roads between two or more countries. The measure also included a project to invite 20,000 people to Japan for training over a five-year period, and to boost productivity and competitiveness of small and medium-size enterprises and supporting industries. At the end of the summit, moreover, Hashimoto promised that Japan would commit itself to addressing ASEAN's long-standing call for improved access to Japan's huge market for member countries' products.⁵⁹

It is quite conceivable that the establishment of an Asian IMF would have contributed immensely to the formation of a yen bloc. Whether or not during the post-financial crisis South East Asian countries will avoid the dollar-peg system and lean more toward adopting a basket currency system comprising various Asian currencies, including the yen, remains to

be seen. Toward this end, however, a positive step was taken when, at the Financial Ministers' Meeting between ASEAN and Japan held on December 1, 1997, all the leaders agreed to meet annually.⁶⁰ Accordingly, the second ASEAN Finance Ministers' Meeting was held in Jakarta in February 1998 and agreed: (1) to establish immediately ASEAN's policy surveillance mechanism with its secretariat based at the Asian Development Bank; (2) to promote the use of ASEAN currencies in intra-regional trade, initially on a voluntary basis, and oversee its evolution into a multilateral arrangement; and (3) to welcome Japan's pledge to stimulate domestic demand and call on it to take the lead in bringing the region out of the crisis.⁶¹

The theoretical implications of Japan's attempt to create the AMF suggest the limitation of the so-called "Washington consensus," which implies the unleashed flow of capitals.⁶² As such, the idea of reviving the AMF emerged as part of the agenda of ASEAN in late 1999, with many leaders in East Asia still believing that the envisioned AMF could play a major role in establishing a safety net for East Asian monetary and financial systems.⁶³

Regionalization of the yen and ODA

Although Japan's initiative for AMF failed, it was not without benefits to Japan. For one thing, Japan's position within the IMF has been strengthened, and more importantly, Japan has become more eager to implement the internationalization of the yen. In fact, the Japanese government announced specific measures to accomplish this stated goal in May 1998. For instance, soon after Finance Minister Matsunaga's pledge that conditions would be established to help facilitate the use of the yen in the international financial market at the APEC's Finance Ministers' Meeting, both the ruling LDP's Investigation Committee for Finance and Banking Systems and the Government's Committee on Foreign Exchange began deliberations on the matter and came to an agreement that the withholding tax levied on short-term government bonds and securities be abolished as a way to speed up the process.⁶⁴ If this succeeds, the financial crisis is likely to serve as a catalyst to accomplish the internationalization of the yen or, as it is said in Japan, after the rain, the soil consolidates.

Upon assuming the premiership, Prime Minister Keizo Obuchi made great efforts toward invigorating Japanese and East Asian economies by appointing the former Prime Minister Miyazawa as a finance minister and also by organizing first the Study Group on International Economic and Financial System, and then the Commission on Japan's Goals in the twenty-first century. Although Japan had already committed more than \$40 billion bilaterally as part of rescue packages coordinated by the IMF for Thailand, Indonesia, and the Republic of Korea, Miyazawa soon disclosed a \$30 billion aid package for ailing Asian economies when he met in October

1998 with finance ministers and central bank governors from the five original ASEAN members. The joint statement issued after the meeting stipulated that “to overcome the current economic difficulties, while avoiding the risk of falling into deflationary spiral, they agreed that it is imperative for the Asian economies to take stimulus measures to put their economy on the path of recovery and sustainable growth.”⁶⁵ This was significant in that Miyazawa’s new package was presented as a form of recovery assistance not only to the four most affected countries, but also to Malaysia, Singapore, and the Philippines.

Furthermore, the Miyazawa plan, known as “a scale-back version of the AMF initiative,” led to a positive policy initiative by the United States in the form of additional financial assistance to the crisis-stricken Asian countries. While closely coordinating their policy differences, President Clinton and Prime Minister Obuchi issued a joint statement on November 17, in which both leaders averred: “The major challenge they face today is restarting growth as quickly as possible. To support this effort, Japan and the United States, with the support of the World Bank and Asian Development Bank, have launched the Asian Growth and Recovery Initiative.”⁶⁶

The financial crisis also led to the establishment of a new forum between Japan and ASEAN in late November 1998. Holding the first meeting of the Japan–ASEAN Economic and Industrial Cooperation Committee in Bangkok, both Japan and ASEAN agreed to conduct intensive studies on promoting four major industries in the region – automobiles, consumer electronics, agro-industry, and chemicals. They also agreed to discuss how to build infrastructure and simplify customs procedures for a better investment environment. At the meeting, the ASEAN members reiterated their commitments to accelerate regional integration through the liberalization of trade and investment, while Japan expressed its readiness to provide necessary assistance to crisis-hit East Asian economies.⁶⁷

What we have witnessed over the decade of the 1990s is that through mutual efforts to resolve the financial crisis, Japan’s economic assistance has come to play a crucial role in East Asia. Table 6.1 suggests that a

Table 6.1 Japan’s financial contributions, 1997–8

<i>Types</i>	<i>Amount \$ billion</i>
(1) IMF support measures	44.0
(2) Miyazawa plan	30.0
(3) ADB support measures	3.0
(4) Special yen loans	5.0
(5) Others	0.6
Total	82.6

Source: Gaimusho, “Nihon no Ajia shien,” *Gaiko Forum*, 1999, no. 129, p. 65.

total of \$82.6 billion has been allocated to various Asian countries in crisis, which some Japanese have called an “Asian version of the Marshall Plan.” Without a doubt, internationalization of the yen and Japan’s ODA will be expanded substantially in the near future. But, even more importantly, is that Japan’s leadership is rooted in South East Asia, as Thai Foreign Minister Surin Pitsuwan cogently put it: “The Japanese want to show leadership, which has been conspicuously missing from the US”⁶⁸

In fact, the issue of internationalization of the yen came to the fore as a result of the East Asian financial crisis. To cite one example, a research group in Japan proposed the introduction of an Asian currency for the following reason:

If Japan’s yen, South Korea’s won, and the other currencies of Asia continue to be subordinate to the greenback, then every time conditions in America force a shift in the dollar’s strength, Asian nations will be tossed about on the resulting waves. This is why Japan must work quickly to establish a yen economic zone to give Asia its own voice in currency matters. This view is now gaining credence across the region. All these factors are now contributing to the heightened calls for the internationalization of the yen.⁶⁹

Toward a new regionalism in East Asia: Japanese attempts

In examining the postwar history of US-centered Japanese foreign policy, we will come immediately to recognize that there are two distinctive aspects of Japanese leadership at issue: (1) Japan in search of an independent discourse in foreign policy, and (2) Japan’s inclination toward Asianism. Of course, they are closely related and sometimes pursued as a single foreign policy against the mainstream of Washington-centered foreign policy, as demonstrated by Prime Minister Kishi during the period 1957 to 1960, and Fukuda, from 1977 to 1978. Furthermore, any leader in Japan is bound to face the nagging issue of regionalism in its foreign policy. The first three case studies presented above also suggest that an independent Asian policy is bound to cause serious problems for Japan. Why then should the Asianization of Japan be denied?

As argued in previous chapters, Japan has built bridges in its relations with the West and Asia as a way of internationalizing the country. Especially during the 1990s, Japan sought to redefine its identity, both in terms of its past and postwar values such as pacifism and human rights. This process has compelled Japan to engage the larger East Asia more squarely, and has increased its self-assurance.⁷⁰ Accordingly, Japan’s reaction to major events in East Asia differ from those of Western countries, as exemplified by the Tiananmen incident in 1989 when Japan opposed

the Western-sponsored link between human rights and aid as a way of dealing with China.

It is within this changing environment that the Japanese seem to have been gripped by a pro-East Asian mood over the 1990s. For instance, one proponent of this pro-East Asian mood, the influential business leader Yotaro Kobayashi, urged Japan's "re-Asianization," and stressed that "it is only natural that Japan should find its 'home' in Asia."⁷¹ And, a MITI official openly advocated the formation of an East Asian group.⁷² In any event, this positive reaction towards a pro-East Asian mood is related to the fact that the importance of East Asia in economic and political as well as strategic terms has been growing in Japan.

Given the economic significance of East Asia to Japan's strategic future, the question arises as to how Japan can best wield influence in the region. One policy analyst, Eugene Brown, cites three ways: (1) Japan as Asia's voice in the councils of the Western industrial democracies, (2) Japan as active participant in regional security arrangements, and (3) Japan as the hub of an Asian regional economic grouping.⁷³ Indeed, it is interesting to note here that Japan's policies toward APEC and EAEC, the redefinition of security guidelines, and a yen bloc correspond to these three points. As a result, Japan's role in South East Asia has become a special one, as exemplified by Japan's unique leadership in Cambodia.

In this respect, what the Hashimoto administration attempted in 1997 indicates a clear departure from traditional bilateralism to the new regionalism. Hashimoto's two visits to the region symbolize Japan's gradual shift toward an independent and active role in South East Asia. Particularly, his second visit to Kuala Lumpur seems to be critical in that Hashimoto attended the first summit meeting among East and South East Asian leaders, known as "ASEAN plus 3." Moreover, Japan's cultural relations with ASEAN have been stressed far more than they were by Hashimoto's predecessors. The Japanese government has now worked out a special program, to be jointly conducted with Singapore, the "multilateral cultural exchange program."⁷⁴ All in all, these major initiatives in 1997 and early 1998 strengthened Japan's diplomatic leadership, despite Hashimoto's resignation in August 1998, due to domestic problems.

Most importantly, the 1998 ASEM and the ASEAN Summit at the end of that year have moved Japan and ASEAN further toward consolidation of regional policies. The 1998 ASEM, like the previous one in 1996, was quite successful from the standpoint of policy coordination between the countries of East Asia. Likewise, the ASEAN Summit saw agreement among East Asian leaders to strengthen their unity, after Prime Minister Obuchi urged more dialogues to establish a solid basis for peace and stability in the region. More specifically, Prime Minister Obuchi proposed the following policies: (1) Japan will implement the \$30 billion Miyazawa plan and special yen loans totaling 600 billion yen, and will also start local training of 10,000 people in Asia, (2) Japan will contribute 500 billion yen

to establish a “human security fund” under the United Nations to fight such threats as environmental hazards, drugs, and terrorism, (3) to promote intellectual dialogue, Japan plans to build a center in Tokyo for exchanges involving graduate students and researchers from around the world, and (4) Japan proposes the establishment of a consultative conference to discuss and make recommendations for Japan–ASEAN cooperation.⁷⁵ Apparently, this development had been influenced by a prior decision between Prime Minister Obuchi and President Clinton in September 1998, to differentiate the areas for which each country would take main responsibility, that is, Japan for Asia, the US for Latin America.⁷⁶ In any event, we can be certain that Japan’s active role in the “emerging” East Asia will be forthcoming, and furthermore, that it will not provoke any unnecessary reactions from the United States.

Subsequently in 1999, Japan’s efforts culminated in a much heralded policy orientation of the East Asian countries, that is, the official announcement of an East Asian grouping, which was declared at the third ASEAN plus 3 Summit held in Manila in November 1999. At the opening session of the Summit, Philippine President Joseph Estrada urged the participants to create “an East Asian common market, one East Asian community” in which ten ASEAN members and Japan, China, and South Korea are determined to strengthen an East Asian identity by carrying out regional policy in eight areas of cooperation, such as trade, investment, monetary and financial coordination, technology transfer, and scientific exchanges.⁷⁷ The official statement expressed the commitment of the thirteen top leaders in the following manner:

Determined to realize East Asia cooperation in the various areas, they tasked the relevant Ministers to oversee through existing mechanism, particularly their senior officials, the implementation of this Joint Statement. They agreed to the holding of an ASEAN plus 3 Foreign Ministers’ Meeting in the margins of the Post Ministerial Conference in Bangkok, Thailand in the year 2000 to review the progress of the implementation of this Joint Statement.⁷⁸

South Korean President Kim Dae Jung highly praised the agreement: “I see a great deal of possibility in this ASEAN plus three group further expanding and further solidifying as a forum for East Asia as a whole.”⁷⁹

The Japanese government, for its part, contemplated specific measures to consolidate a new regionalism in East Asia. Prime Minister Obuchi, for instance, announced a detailed initiative for enhancing human resources development and exchanges in East Asia, which was later named as the Obuchi Plan.⁸⁰ As such, Japan, since 1990, has exhibited its entrepreneurial leadership to bring about meaningful changes in Japan’s attitude toward East Asia.

Summary

The issue of leadership in Japanese foreign policy has long been debated, centering on the traditional dichotomy of what can be characterized as “Alice in Wonderland” (to use Hellmann’s characterization of Japanese foreign policy) and the “drive to pre-eminence.” What then can we conclude, having examined how Japan demonstrated its leadership during the 1990s, through the three case studies analyzing Japan’s policies toward regional institutions, redefinition of the Japan–US security treaty, and resolution of the financial crisis? Three conclusions can be offered. First, far from attaining economic and political hegemony, Japan’s diplomatic performances have indicated mixed results. It can be construed that Japan performs better when it coordinates its actions with ASEAN. Second, the central question of Japan’s leadership continues to evolve around the strategic debate over whether priority should be given to the regional affairs of Asia or to its bilateral partnership with the United States. Third, contrary to the thesis of policy paralysis in the “lost decade” of the 1990s, Japan has provided proactive ideas and initiatives to deal with rapidly changing economic and political issues in South East and East Asia. Although maintaining the centrality of a bilateral link with the US, Japan’s strategic posture has inclined toward an East Asia-centric orientation, as the third case study of a yen bloc suggests. In a way, the leadership style is closer to what Rix called “leadership from behind,” but which now inclines toward a “joint leadership” based on official and private networks. As one observer explained: “The failed AMF proposal might profitably be understood as a trial run for Japanese policymakers seeking to assume greater regional leadership responsibility. Crafting major initiatives that address important Asian issues, pledging to commit national resources and building support for the plan abroad – these are all essential skills for a regional leader.”⁸¹

In sum, as we have seen, the international politics of East Asia have entered into a post-hegemonic era, punctuated by a surge of the new spirit of regionalism. While maintaining the autonomy of ASEAN, its ten member countries have sought to find a way to promote their ultimate goal of economic development. In a similar vein, Japan has been approaching the region in order to demonstrate its regional leadership, while maintaining close relations with the United States. In so doing, Japan’s leadership is beginning to outgrow the traditional state of ambivalence in its East Asian policy with an emphasis on North–South regionalism, multiple regionalism, and open regionalism. Accordingly, Japan and ASEAN should complement each other more substantially in stimulating the region’s economy by incorporating the countries of East Asia, especially China. Successful collaboration between Japan and ASEAN and their joint leadership will be a pivotal element in promoting the new regionalism in East Asia.

7 Conclusion

Whither Japan–South East Asian relations?

Japan has highly valued the significant role played by ASEAN and has made efforts to consolidate cooperative relations with ASEAN, as a partner for peace and prosperity in East Asia. Japan therefore believes that the dynamic development of ASEAN 10, by overcoming the differences in political systems and economic disparities, is important for the sake of Japan too and will make every effort to that end. We should like to build a far-reaching and close relationship in both private and public sectors as we go into the twenty-first century.

(Yohei Kono, Minister for Foreign Affairs, July 2000)¹

Throughout this book, our concerns have been to trace the origins of a new South East Asian regionalism and to explain why the region became an engine of growth and stability, at least until mid-1997. It seems what we have found is rather simple: since the first and second ASEAN Summit in 1976 and 1977, a chain of intertwined events has taken place in South East Asia. At the risk of oversimplification, let us present a scheme of its causal process: the Fukuda Doctrine – Japan–ASEAN’s multilateral approach – the Post-Ministerial Conference – the ASEAN Regional Forum – the new regionalism in South East Asia. In particular, Japan’s multilateral approach, based on economic and political networking, has been conducive to reinforcing ASEAN’s central role in South East Asia. Most importantly, we have witnessed that the advent of the new regionalism has had a direct bearing on the fact that both Japan and ASEAN have three assets in common, namely, the concepts of “North–South cooperation,” “comprehensive security,” and “leading from behind.” As a result, a new regionalism in South East Asia has acquired a life of its own.

At the outset of this volume, we posed three questions: (1) how and when has a new South East Asian regionalism been set in motion? (2) what is the nature of Japanese leadership and networking in maintaining and promoting the new regionalism? and, (3) given the current economic and political crisis, whither the new regionalism in South East Asia? In this concluding chapter, we present our answers to these questions by

focusing on three critical themes, namely, the development of a new South East Asian regionalism, centering on the deepening and widening of ASEAN, on Japan's new role, and on a joint engagement in networking. And then, some areas for further scrutiny are discussed.

Implications of the new regionalism in South East Asia

The answer to the first question is: the promulgation of the Fukuda Doctrine in August 1977 and resulting institutionalization of the Post-Ministerial Conference (PMC) in July 1979. As we examined in Chapter 2, the declining US hegemony in East Asia gave rise to a new regionalism in South East Asia, and furthermore, the advent of Japan–ASEAN's multilateral partnership enabled both parties to enhance their durability and ability to adapt to change. Indeed, the new regionalism became the emerging logic of South East Asian international relations during the 1990s. Obviously, the steady growth of the new South East Asian regionalism is largely dependent on the inclusion of Japan – that is, North–South regionalism; the provision of various network channels – multiple regionalism; and the connectedness with the international economic regime – open regionalism. Most successful were joint efforts exemplified by Prime Minister Fukuda's attendance at the second ASEAN Summit in 1977, Takeshita's attendance at the third ASEAN Summit in 1987, and Hashimoto's attendance at the informal ASEAN Summit in 1997 (see Chapter 3).

Therefore, one of the most important changes in the study of international relations in the post-Cold War era was the reappraisal of regionalism and this is most vividly observed in the example of South East Asian relations with other nations in recent years. In fact, what we have considered is ASEAN's gradual inclination toward the new regionalism in its external relations, such as the Asia Pacific Economic Cooperation (APEC), the East Asian Economic Caucus (EAEC), the ASEAN Regional Forum (ARF), and the Asia-Europe Meeting (ASEM). The nature of the new South East Asian regionalism seems to be quite unique since it contains three elements that are not conspicuous in other parts of the world.

In developing these different layers of networks, ASEAN itself has embarked on a renewal course by pursuing such policies as “ASEAN 10,” ASEAN Free Trade Area (AFTA), and “growth triangles.” It is noteworthy that our historical habit of differentiating South East Asia from ASEAN ended in 1999. Consequently, the twenty-first century has begun with a unified concept of the region, for the first time ever in the history of South East Asia. The key to understanding this new development seems to rest with the power of multilateral networking, or, as Jusuf Wanandi recapitulated:

Having worked with many leaders, thinkers and intellectuals over the past three decades, I find it striking how much networking and

cooperation has occurred throughout the Asia-Pacific region. Together with the dramatic economic development we have seen, the growing networks are fostering a sense of regionalism and common destiny.²

However, there exist significant domestic and external caveats that may jeopardize ASEAN's major efforts of the late 1990s. First, can ASEAN continue to perform well economically without addressing domestic politico-social issues? This obviously concerns the lack of democratization in South East Asia, namely, the perennial priority problem of "democratization versus development." The 1997 financial crisis and resulting collapse of the Suharto regime in Indonesia amply demonstrated that the lack of democratization could be a main hindrance to the development of the region.

Second, can ASEAN continue to maintain its relevance as the only South East Asian organization, without being marginalized by great powered Asian-Pacific organizations? This is the issue behind the reform of ASEAN's organization and orientation. To deal with the unleashing power of globalization, ASEAN needs to adopt a new strategy based on East Asian regionalism. For each of the different schemes of ASEAN's extra-regional cooperation, APEC as well as the proposed EAEC, is an insurance policy for ASEAN – it is an insurance policy against uncertain development in the world economy. In this respect, the "ASEAN plus 3" could be ASEAN's new lifeline.³

Third, after achieving its goal of "ASEAN 10," what might a new vision of the second phase of ASEAN be? This issue is a matter of exigency for ASEAN to address. When all ten leaders of South East Asia attended the informal ASEAN Summit held in December 1996, a new vision for ASEAN was stressed. Ideally, ASEAN hoped for simultaneous realization of both "ASEAN 10" and "Vision 2020." Unfortunately, the coup in Cambodia in June 1997 caused a critical delay in completing the plan. Even at the second informal ASEAN Summit in December of the same year, Cambodia remained volatile. Thus, this second Summit in Kuala Lumpur adopted only the Vision 2020 plan. The precarious political and economic conditions caused by the 1997 financial crisis indicated that ASEAN's capacity and ability have not yet been fully exposed nor strengthened for it to become a full-fledged regional organization.

Implications of Japan's new role in South East Asia

In fulfilling the lacuna of the new ASEAN regionalism, the second question, of Japanese leadership, is crucial. As one observer cogently put it: "While supporting US strategic, political and economic engagement in Asia, ASEAN has seen itself as a potential kingmaker, prodding Japan towards political and economic leadership. Tokyo's readiness to assume

such a role is a precondition for any pan-Asian grouping.”⁴ In the past, Japan’s low-profile leadership based on the concepts of “comprehensive security” and “leading from behind” helped strengthen the new regionalism in South East Asia. As such, ever since it became an official commitment in the form of the Fukuda Doctrine in August 1977, Japan’s South East Asian policy has been “proactive” rather than reactive with a series of policy initiatives and ideas, as we have seen in the three cases of the Fukuda, Takeshita, and Hashimoto initiatives. Although still limited to official networking, Japan’s entrepreneurial leadership has been executed rather actively with varied results. Again, in the Fukuda, Takeshita, and Hashimoto initiatives, we can see successful examples of economic and political networking, but the abortive AMF initiative exposed weaknesses in the area of regional leadership.

Nevertheless, despite the stormy financial crisis, the year 1997 will perhaps be remembered as significant for Japan’s foreign policy in general, and Japan–South East Asian relations in particular. As outlined in Chapter 6, Prime Minister Ryutaro Hashimoto’s accomplishments that year included a visit to the ASEAN countries in January, an offer of an alternative solution to the financial crisis in East Asia, the announcement of new defense guidelines in October, the presentation in November of the so-called “Hashimoto plan” to resolve a territorial issue with Russia, and his attendance at an ASEAN Summit in December. Taken together, these foreign policy initiatives make up the “Hashimoto Doctrine.” Indeed, Hashimoto’s proposals for institutionalizing a regular Japan–ASEAN Summit and his parallel bilateral talks on security with individual members were other milestones in Japan–South East Asian relations. If we compare the Fukuda and the Hashimoto doctrines, it can be readily understood that the latter went one step further than the former doctrine. Whereas the Fukuda Doctrine aimed at building bridges between ASEAN and Indochina, the Hashimoto doctrine intended to draw both Japan and ASEAN closer together through the institutionalization of their relations. For this reason, the principles of the Hashimoto Doctrine need to be realized by his successors.

However, it is also a fact that ASEAN’s response to the Hashimoto proposal was not positive enough, for various reasons, including the fear of growing Japanese influence and memories of Japan’s wartime behavior. Thus, Japan’s efforts to resolve its historical issues need to be more credible. To be sure, in tandem with Japan’s growing role in international society as well as in East Asia, Japanese leaders have begun to tackle the issue. Yet, Japanese efforts are far from sufficient, as Singapore Senior Minister Lee Kuan Yew succinctly put it: “Whatever the future may hold for Japan and Asia, to play their role as an economic modernizer and UN peacekeeper, the Japanese must first put this apology issue to rest. Asia and Japan must move on. We need greater trust and confidence in each other.”⁵ For unless and until it has cordial relations with East Asian states,

Japan will not have the moral leadership to deal with industrialized nations at meetings such as the Group of Seven or the World Trade Organization, on behalf of the developing nations in the region. Whether or not the recently initiated “comprehensive cultural program” will resolve this issue remains to be seen.

There are three late developments to be reckoned with. The first is Prime Minister Obuchi’s official visit to Laos and Cambodia in January 2000. As an extension of the Hoshimoto Doctrine, Obuchi proposed specific measures to promote the least developed economies in order to narrow the economic gap between the ASEAN members.⁶ The second is Japan’s new security role in East Asian waters. At the meeting of senior East Asian maritime officials in Tokyo, the Japanese government proposed a regional coast guard to combat piracy in the Straits of Malacca and Singapore, as well as in the South China Sea. The proposal met with favorable response from the East Asian countries.⁷ The third is the establishment of a Japan-Singapore free trade area, proposed in 1999, which is expected to bear fruit by 2001.⁸

Networking in the twenty-first century

The key concept of the future will be the “power of networking,” for want of a better term. Accordingly, Japan’s future role will be assured in three major areas. The first area is that of economic networking with South East Asian nations. As we saw in previous chapters, especially Chapter 4, Japan’s tripartite strategy of “aid–trade–investment” is creating a unique economic network throughout South East Asia. The present strategy is to utilize regional centers that link production, distribution, settlement, and finance. In fact, these regional centers are mediated by networks which possess the capacity to serve not only as manufacturing and distribution bases, but also as suppliers of research and development and finance. As such – in the economic realm at least – multiple networks, including industrial, financial, firm-based, and human networks, are beginning to emerge in South East Asia.

In the economic realm, it is important to note that Chinese networks are also growing rapidly. As one scholar explains: “The relative success of the Chinese economies is not solely because they have high foreign reserves. They also enjoy two other advantages. First, they could rely on powerful ethnic Chinese business networks to get funding, information and techniques for their development. Second, the highly competitive Chinese model is well-suited for competition in the information age.”⁹ Similarly, APEC and the Pacific Economic Cooperation Council (PECC) are creating multiple channels through which official and private dialogues are coordinated over the various regional economic issues.

The second area is politico-security networking with South East Asian nations. As Chapters 4 and 5 showed, Japan’s assistance for “South–South

cooperation” will strengthen policy networks between Japan and ASEAN, and the ARF functions side by side with the Post-Ministerial Conference (PMC), which is supported by the ASEAN-ISIS and the Council for Security Cooperation in the Asia-Pacific (CSCAP). Apparently, ASEAN is still the center of this network and the so-called two-track dialogue will be the most effective measure in this field.

The third area deals with whether Japan and South East Asia can engage more intensively in joint networking to maintain regional stability and prosperity. It should be noted that the existence of powerful Chinese networks suggests that Japanese and ASEAN networks are not the only ones, nor do they dominate the region. Nevertheless, Japan and ASEAN could strengthen their networking power through existing institutions governing their relations. The new regionalism will be a possible solution to such global problems as those presented in Chapter 6. Most importantly, with the support of the United States, the Japan and ASEAN collaboration produced the so-called “Chiang Mai initiative” in May 2000. The agreement is to create a coordinated network of currency swaps with other East Asian countries to protect the region against a repeat of the 1997 financial crisis.¹⁰

What do these foreign policies signal about Japan’s exercise of power in pursuit of its security interests at the start of a new century? What we saw in Chapter 6 is similar to what one scholar has contended, namely that: “Japan’s use of foreign assistance and other policy initiatives is an important exercise of power to set agendas, shape international norms, define Japan’s identity in the international system, and condition the international environment so as to shape other states’ preferences.”¹¹ Chapter 6 also suggests that Japan’s role and strategy in South East Asia may have spill-over effects on future interactions in East Asia, now that the East Asian summit has been endorsed.

If this analysis is relevant or any guide, future relations between Japan and South East Asia will largely depend upon the question of networking as a way to promote the new regionalism in this part of the world. Thus, the third question can be answered positively. To be sure, given the different developmental stages of East Asian countries, it will be a challenging task to alter their conflicting interests and relations into harmonious and mutually benefiting ones. The challenge is overwhelming, but worth trying. The effects of a joint collaboration between Japan and ASEAN could be substantial, should they take advantage of emerging networks or the power of networking, as this book discusses.

Last, based upon these findings, we can identify two theoretical and policy issues for further scrutiny. The first is the examination of the so-called ASEAN model of new regionalism. For instance, comparative studies need to be undertaken to prove or disprove whether the new South East Asian regionalism is unique and viable. In so doing, one of the theoretical puzzles, the role of the Third World in international politics, will be

tackled.¹² The second is the examination of the East Asian style of leadership in dealing with specific regional issues. Currently, South East Asia has been undergoing temporary turmoil as a result of the financial crisis. In order to deal with regional issues more effectively, we need to know how viable the East Asian style of leadership is.¹³

To be sure, before the crisis, South East Asia was the fastest developing area in the world and even now maintains favorable economic fundamentals. How to deal with future turbulence more effectively is the most critical question. Our study suggests that strengthened joint networking between Japan and ASEAN will be the key to overcoming any future economic crisis, while retaining the strategy of the new regionalism in South East Asia. Through political and economic networking, East Asia is likely to become a significant region in the globalized international society. As one economist predicts:

East Asia may be on the brink of an historic evolution, as Europe was half a century ago. Of course, Asians themselves must steer their efforts in directions that promote international stability. But it would be tragic if these initiatives were rejected rather than respected. The rest of the world must accept a global role for East Asia, and modify its own institutions with East Asia in mind. The success or failure of this process will do much to shape the world for the next 50 years.”¹⁴

With a combined population of 623 million and a GDP of \$5.1 trillion in 1997, Japan–South East Asian countries provide a promising arena for cooperation in the fields of economics, politics, and security. Failure to use these combined resources would be a wasted opportunity.¹⁵ Should Japan continue to consolidate the new regionalism with ASEAN, Japan’s contribution to the formulation of world order will become credible.

Appendix I

The Fukuda Doctrine, August 18, 1977

My journey through Southeast Asia, which began in Kuala Lumpur with my meetings with the leaders of ASEAN, is now approaching its end. I am delighted, as a kind of finishing touch to this journey, to be able to share my ideas with you, here in the Republic of the Philippines, our nearest neighbor.

It was the spectacular and rich diversity of the area I have just visited, the diversity in ethnic composition, language and religion, in the cultural impact of distinct histories, and in economic structures. Southeast Asia is by no means a homogeneous or uniform part of the world. It is no wonder that some have been skeptical of the prospects for intraregional cooperation in this area.

Yet, the Association of Southeast Asian Nations, which has just celebrated its tenth anniversary, is now in the process of firmly establishing itself as a self-reliant organization for regional cooperation in the area. The first summit conference in Bali was a milestone in progress toward solidarity, and the success of the summit conference which has just ended confirms the belief that the determination of the ASEAN members to strengthen their solidarity is now irreversible.

ASEAN is, indeed, a historic and successful attempt to seek and create a regional identity of this area through the strengthening of solidarity, while affirming the rich diversity of its membership, and respecting the proud nationalism of each member country. I saw and was impressed by one expression of these creative efforts, the ardent dedication to solidarity of the ASEAN leaders whom I had the pleasure of meeting in Kuala Lumpur.

The solidarity of ASEAN, strengthened by the success of cooperative undertakings, in turn opens up new opportunities for useful collaboration, thus further strengthening solidarity. This dynamic and self-reinforcing process will, I believe, characterize the future course of ASEAN. Progress toward regional solidarity may at times be slow, in comparison with more homogeneous regional groupings, such as Western Europe, and there may be occasional pauses.

But let me here offer a pledge to the leaders and peoples of ASEAN. My pledge is that the government and people of Japan will never be skeptical bystanders in regard to ASEAN's efforts to achieve increased resilience and greater regional solidarity, but will always be with you as good partners, walking hand in hand with ASEAN.

The ASEAN heads of government, in our recent meetings, called Japan "an especially close friend" of ASEAN. A true friend is one who offers his hand in understanding and cooperation, not only in fair weather but in adverse circumstances as well. I know Japan will be such a friend to ASEAN.

It is not enough for our relationship to be based solely on mutual material and economic benefit. Our material and economic relations should be animated by heartfelt commitments to assisting and complementing each other as fellow Asians. This is the message I have carried everywhere on this tour, speaking repeatedly of the need to communicate with each other with our hearts as well as our heads, the need in other words for what I call "heart-to-heart" understanding among the peoples of Japan and Southeast Asia.

You, fellow Asians, will understand what I mean. For it is in our Asian tradition, and it is in our Asian hearts, always to seek beyond mere physical satisfaction for the richness of spiritual fulfillment. There is not need for me to stress the important role cultural exchange plays in deepening mutual understanding and appreciation, heart-to-heart and person-to-person, between the peoples of Southeast Asia and Japan.

Furthermore, when I responded positively to the request for cooperation to the value of \$1 billion for ASEAN industrial projects, it was because I believed it important to respond with "heart-to-heart" understanding to the hearts of the peoples of the ASEAN nations, who fervently desire the strengthening of regional solidarity. I expect that Japan's cooperation will expedite the realization of these projects, which are of historical significance as an experiment in intraregional division of labor, and that it will give momentum to the strengthening and development of various other intraregional cooperation efforts within ASEAN.

Japan has already announced a policy of more than doubling its official development assistance within the next five years. We anticipate that an important part of this assistance will continue to be for industrial projects, or for infrastructure improvement, which will facilitate industrialization in Southeast Asia. At the same time, we shall intensify our cooperation in areas close to the people's welfare – agriculture, health, and education.

Finally, we all recognize that the future stability and prosperity of the ASEAN area can only be assured within a framework of peaceful progress throughout Southeast Asia as a whole. Now that decades of war and destruction have finally come to an end, we have a chance to work for enduring peace and stability in the whole region. Let me pay tribute here

to the ASEAN countries for having expressed, in the joint communiqué of the ASEAN Summit, their desire to develop peaceful and mutually beneficial relations with the nations of Indochina, enunciating their policy that “further efforts should be made to enlarge the areas of understanding and cooperation with those countries on the basis of mutuality of interests.” I believe that these patient efforts will eventually expand the scope of mutual understanding and trust throughout the breadth of Southeast Asia. Towards this same objective, Japan will also seek to place its relations with the nations of Indochina on a solid foundation of mutual understanding.

I have expressed all of these ideas, in my very productive meetings with leaders of the ASEAN nations and Burma during the last fortnight, and have outlined Japan’s position with regard to Southeast Asia. I consider it a great fruit of my journey this time that such a position of Japan as I have explained has been met by full appreciation and concurrence by all the leaders of the nations that I visited. I may summarize this position as follows:

First, Japan, a nation committed to peace, rejects the role of a military power and on that basis is resolved to contribute to the peace and prosperity of Southeast Asia, and of the world community.

Second, Japan, as a true friend of the countries of Southeast Asia will do its best for consolidating the relationship of mutual confidence and trust based on “heart-to-heart” understanding with these countries, in wide ranging fields covering not only political and economic areas but also social and cultural areas.

Third, Japan will be an equal partner of ASEAN and its member countries, and cooperate positively with them in their own efforts to strengthen their solidarity and resilience, together with other nations of like mind outside the region, while aiming at fostering a relationship based on mutual understanding with the nations of Indochina, and will thus contribute to the building of peace and prosperity throughout Southeast Asia.

I intend to implement vigorously these three pillars of Japan’s policy with regard to Southeast Asia. It is my hope that we may build on such foundations a strong framework of cooperation, animated by mutual understanding, confidence, and trust, throughout Southeast Asia. By joining together in this shared endeavor, we will be making the greatest contribution in our power to peace and prosperity in Asia and to the well-being of all the peoples of the world.

(Japan Times, August 19, 1977)

Appendix II

The Takeshita Doctrine, May 5, 1989

We are now approaching the end of the 20th century, and there are signs of a new era dawning in the world. The dialogue between the United States and the Soviet Union is firmly on track, and solid efforts are being made to resolve the regional conflicts in such areas as Cambodia, Afghanistan, and southern Africa, and between Iran and Iraq. At the same time, momentum has been building since last year for a normalization of Sino-Soviet relations, as shown in the recent exchange of Foreign Ministers' visits, and we are looking ahead to a historic summit meeting between those two nations later this month in Beijing. It is a development that bodes well for world peace and prosperity.

The remarkable progress made by the ASEAN countries is a beacon of hope for the future. In little more than two decades, you have forged strong bonds of cooperation and solidarity in the spirit of "unity in diversity," have brought peace and stability to the region, have created a unique and balanced regional community of nations, and have proved an excellent example of what good neighbors can accomplish together. At the same time, you have achieved striking economic growth by exercising your entrepreneurial spirit and willingness to work hard in market-oriented economies, showing clearly that this is doable and inspiring many other developing countries in their quest for prosperity. The wisdom of this ASEAN path over the last twenty some years is rigidities of centrally planned economies, are moving to adopt freer and more open economic policies.

Furthermore, realizing the importance of peace and stability throughout Southeast Asia, the ASEAN countries have also taken determined initiatives for a political solution to the problems in Cambodia. I would like in this regard to pay my respects especially to the unwavering efforts for peace being made by Indonesia, including your twice hosting the Jakarta Informal Meeting and arranging the recent Sihanouk-Hun Sen talks.

I have been very impressed on this ASEAN trip with the strength of Indonesia and the other ASEAN countries' desire for peace in the Asia-

Pacific region, and I have renewed my determination to work together with the ASEAN countries to build a better future for all humankind.

Soon after becoming Prime Minister of Japan, I went on record as making “Japan contributing to the world” a primary goal of my country. Recognizing that Japan is now an important member of the international community, I believe it is only right that we should undertake the responsibility of contributing to world peace and prosperity commensurate with our enhanced capabilities and status. In line with this belief, I have set forth an International Cooperation Initiative premised on the following three pillars.

The first pillar of the International Cooperation Initiative is the strengthening of cooperation to achieve peace. In keeping with Japan’s peace Constitution, we are firmly resolved not to become a military power such as might threaten our neighbors and are determined to do everything possible to use our abilities in cooperating for peace. From this perspective, Japan will undertake positive diplomatic initiatives aimed at conflict resolution. Specifically, this means enhancing the level of our cooperation for achieving and maintaining world peace, including dispatching experts and other personnel to trouble spots and providing financial assistance for peacekeeping efforts.

Second is the expansion of Japan’s Official Development Assistance (ODA). ODA is one of the areas where the world expects Japan to contribute most, and Japan has responded to these expectations by formulating a series of four medium-term targets for ODA enhancement and stepped-up support for the developing countries. I am determined to continue this effort, providing more and better ODA in the service of world peace and prosperity.

And third is the strengthening of international cultural exchange. Cultural exchange in the broadest sense is the foundation enabling people to transcend the value and systemic differences separating them and to achieve true mutual respect and understanding as human beings. At the same time, the stimulation accompanying full-hearted exchanges among diverse cultures generates new vitality for the progress of the international community as a whole.

I believe that Southeast Asia is one of the most important areas for this International Cooperation Initiative, and I intend to promote actively the initiative in this region. In this respect the consistency and continuity of Japan’s foreign policy, including its policy toward the ASEAN countries, will be upheld.

Relations between Japan and the ASEAN countries have grown steadily stronger and broader year by year in the spirit of mutual heart-to-heart trust among true friends, not only in the political and economic fields but in the social, cultural, and other fields as well. Today, we are building a mature relationship of “thinking together and working together.” Significantly, at the Meeting of Heads of Government of Japan and ASEAN

in Manila in December 1987, I outlined the basic economic, political, and cultural policies that I felt Japan should adopt so as to build a new partnership between Japan and the ASEAN countries looking toward the twenty-first century. In effect, these policies meant applying the International Cooperation Initiative to the specific ASEAN context. Since much has happened in the intervening months, I would like to take this opportunity to state my views on how the International Cooperation Initiative relates to Japan–ASEAN relations as we move into the new era.

Japan has recently been making a major effort to ensure that our economic structure is harmonious and compatible with the rest of the world economy. We have made it a major Japanese national policy goal to contribute to stable world economic development and have taken steps to achieve this goal. Among the specific manifestations of this policy orientation are the effort to achieve and consolidate the shift to domestic-demand-led growth, the effort to further improve market access and to promote imports, and the effort to recycle our surplus capital for the global benefit.

The combination of these Japanese efforts and your own efforts that made it possible to achieve striking growth in the ASEAN countries has, happily, meant the forging of close and more mutually beneficial economic relations between us. There has been a sharp increase in Japanese imports from the ASEAN countries recently – an increase highlighted by the fact that 1988's imports of manufactured goods were approximately 49 percent more than in 1987 and are still growing. At the same time, Japanese investment in the ASEAN countries is also on the increase – the figure for 1987 being as much as 78 percent more than in 1986 and that for 1988 expected to be over 50 percent more than in 1987. The ongoing adjustment of the Japanese and ASEAN economic structures is today generating signs of horizontal division of labor between us. All of this bodes well for the future.

Determined to expand our ODA as one pillar of the International Cooperation Initiative, Japan has been making a special effort to support the developing countries. Consistent with this policy, the government formulated a new medium-term target for ODA last June calling for the total ODA in the five years from 1988 through 1992 to be at least \$50 billion – more than double that for the previous half-decade.

Because we see the ASEAN countries as one of Japan's most important economic cooperation partners, we have allocated about 30 percent of our total ODA to the ASEAN countries. As a result, Japan is now the largest donor country for the ASEAN countries. In recent years, in fact, Japan has accounted for over half of the total bilateral ODA received by the ASEAN countries. I assure you that Japanese policy will continue to emphasize relations with ASEAN in the years ahead.

At the December 1987 Meeting of Heads of Government of Japan and ASEAN, I announced plans to implement an ASEAN-Japan Development

Fund. I am pleased to note that steady progress has been made for the implementation of the Fund, and I hope that it will prove useful in promoting private-sector development in the ASEAN countries and intra-regional cooperation.

Seeking to expand and enhance its cooperation for peace, Japan has endeavored particularly to strengthen its dialogue and cooperation with the ASEAN countries on the international political issues that affect peace and stability in Asia. Thanks to the active dialogue among ASEAN and the other parties concerned, significant progress has been seen in the area of the Cambodian problem. I very much hope that a just solution of the problem will soon enable the people of Cambodia and the rest of Indochina to focus their efforts on the task of nation-building and that, as a result, the day will soon come when dynamic development and prosperity for all of Southeast Asia will be attained through the cooperation between the Indochinese countries and the ASEAN countries. Japan, for its part, stands ready to assist this process in every way possible.

Within this conceptual framework, I would like to stress that the following are the four essential elements on which the international community must focus its efforts to find a just political solution bringing lasting peace and stability to the region.

First is the securing of the complete withdrawal of Vietnamese forces, under international supervision, and the prevention of any return to the inhuman policies of the past associated with the Pol Pot regime. Second is the holding of free and fair elections enabling the Cambodian people to achieve self-determination which we may expect, will lead to the establishment of a truly independent, neutral and non-aligned Cambodia. Third is the establishment of an effective international control mechanism to facilitate the attainment of those goals. Fourth is that any political settlement must both ensure Cambodia's internal stability and respect the security concerns of all neighboring countries, which means that a comprehensive political settlement is indispensable.

Japan will actively consider the extending of financial cooperation, the dispatch of personnel and the provision of non-military materials to assist the introduction and operation of an effective international control mechanism to facilitate this peace process. I wish to stress, too, that we will also be prepared to assist economic reconstruction and development in Indochina once a comprehensive political settlement has been attained.

I believe it is imperative that countries oriented for free and open economic interchange and having extensive economic activities in the Asia-Pacific region, start to think seriously how we can best promote cooperation among the countries in the region for the twenty-first century. I believe that three points are essential to ensure sound development of the Asia-Pacific region, and I would like to state my basic views.

First is that we should respect the views of ASEAN – the association that has achieved the most dynamic cooperation in this region. I believe

that ASEAN's example in achieving diversity-tolerant cooperation is a paragon of the sort of cooperation that we need in the Asia-Pacific region. Second is the need to preserve and strengthen the free and open trading system. And third is the need to promote multi-faceted and steady cooperation. It is in this era of growing importance of the Asia-Pacific cooperation that the true value of Japan-ASEAN cooperative relations built over the past twenty some years will be really tested. Together with the ASEAN countries, we wish to make a steady move forward in a constructive spirit of identifying our possibilities in the Asia-Pacific region to share with and to contribute to the world.

As I recall, my journey of diplomacy began in Manila where I attended the Meeting of Heads of Government of Japan and ASEAN in December 1987, and the current tour of the ASEAN countries marks my eleventh overseas trip as Prime Minister. It is most gratifying that I have been able to further strengthen our relations with the countries in the Asia-Pacific region through a series of fruitful dialogues with their leaders.

Not only are Japan and the ASEAN natural allies geographically and historically fated to work together, we are today bound together in the pursuit of freedom and individual creativity. We are eternal partners thinking together and advancing together.

(ASEAN Economic Bulletin, July 1989, pp. 125-33)

Appendix III

The Hashimoto Doctrine, January 14, 1997

I am honored to have the opportunity to express my views on Japan–ASEAN relations in this Singapore Lecture, so famed for its long tradition. On my current visit to Southeast Asia, I have been received warmly in Brunei Darussalam, Malaysia, Indonesia, Vietnam and here in Singapore. Throughout this visit, I felt very strongly the dynamic desire of people in this region to create free, open, and vibrant societies. This experience has renewed my belief that Southeast Asia and the entire Asia Pacific are now embarking on a new era.

This year marks the 30th anniversary of the foundation of the Association of Southeast Asian Nations (ASEAN). In the meantime, the cold war between the United States and the Soviet Union has ended in world politics, and the world economy has become more integrated than ever before, with capital, labor, and technology freely moving beyond national borders, stimulated by advanced information technologies and economic liberalization. In the Asia Pacific, many countries enjoy economic prosperity while China has increased its presence participating in the free market economy.

In Southeast Asia, conflicts between ASEAN and Indochina during the cold war have become things of the past. Following the entry of Vietnam into ASEAN in July 1995, it was agreed last year to simultaneously admit Cambodia, Laos, and Myanmar some time in the future. A so-called “ASEAN 10” is now close to reality. ASEAN holds a unique position in the world as a successful model, achieving both political stability and economic growth. ASEAN’s active diplomatic initiatives have produced spectacular achievements. The ASEAN Regional Forum (ARF) is making steady progress as a multilateral security framework contributing to regional stability, and in addition to the Asia Pacific Economic Cooperation (APEC), the Asia-Europe Meeting (ASEM) has been launched as an historic undertaking to strengthen relations between Asia and Europe.

I would like to stress here that throughout the 30 years of ASEAN, Japan has consistently been its friend. Together we have followed the path

toward economic prosperity, helping each other. As you probably remember, in 1977 then Prime Minister Fukuda launched the so-called "Fukuda Doctrine," and in 1987 then Prime Minister Takeshita proposed that Japan and ASEAN establish a new partnership. Today, four years left before the twenty-first century, I would like to deliberate with you on how Japan and ASEAN should reform their cooperative relationship in a manner suitable for a new era.

Although ASEAN has so far achieved remarkable success in both political and economic fields, it is faced with several new challenges emerging in the Asia Pacific. Despite growing economic prosperity, problems of poverty persist. In the long process toward a society in which every citizen can enjoy freedom and equality, some ideals have yet to be fully realized. Concerns exist that while economic development enriches people's lives, unique traditional cultures could be neglected. ASEAN's efforts are required to sustain an open international economic system, to take bold steps for domestic structural reforms, and to advance indigenous innovation, so that it can maintain its economic prosperity. Furthermore, the rapid economic growth now under way could exacerbate several problems such as environmental impact, food and energy shortages, population growth, AIDS, and narcotics. Expansion of ASEAN membership could increase the magnitude of those problems and make coordination mechanisms among members more difficult. These challenges could be called "ordeal for ASEAN." ASEAN is expected to tackle these problems, to overcome conflicting national interests and to strengthen solidarity among countries in Southeast Asia, thereby providing a groundwork for peace and prosperity in Asia.

What about Japan? The Japanese socio-economic system, which had sustained the country over the 50-year postwar period, now has revealed serious limitations. Japan faces a turning point in her history. Wide-ranging reforms are urgently needed. To create a new Japanese socio-economic system suitable for the twenty-first century, I am promoting reforms particularly in the following six areas: administrative reform, economic structural reform, financial system reform, social security reform, fiscal reform, and education reform. These reforms are intended to overcome "ordeal for Japan." They are not easy tasks, but nevertheless must be completed at all costs.

Japan and ASEAN have a close relationship, both geopolitically and historically. I believe that stability and development in Asia are prerequisites for Japan's stability and development, and it is self-evident that the two are inseparable. Therefore, Japan should exchange views and experiences with ASEAN, sharing each other's pains if necessary, to help solve each other's problems, in a spirit of friendship. And Japan would like to continue this cooperation in helping ASEAN to remain a successful model for other nations, while at the same time learning from ASEAN's experiences as we implement our internal reforms.

Japan–ASEAN economic relations have expanded in the past and now become vitally important to each other. Needless to say, these relations should further be expanded. However, international relations are more than just economics. On the occasion of ASEAN’s 30th anniversary, I would like to expand the present cooperative equal partnership between Japan and ASEAN into a broader and deeper one suitable for this new era. Toward that end, I think that Japan and ASEAN should strengthen joint endeavors focusing on the following three areas.

Firstly, broader and deeper exchanges between Japan and ASEAN at top and all the other levels. Given the increasing importance of ASEAN as an entity with one voice in the international community, I think it particularly necessary to strengthen policy dialogues between Japan and ASEAN at various levels. In order to promote the Japan–ASEAN cooperation, strong political leadership is indispensable. Dialogues at top levels should be enhanced to build stronger personal ties of trust between top leaders. I would like to take every possible opportunity to have closer and more frequent dialogues with my ASEAN counterparts. That is why I made these visits at this time, and I would like to welcome future visits to Japan by ASEAN leaders. We should make use of occasions such as formal and informal ASEAN Summit Meetings. I propose this idea to the leaders I met during this visit, and obtained their agreements on the basic idea. In this context, “Japan–ASEAN Forum,” an existing dialogue framework between Japan and ASEAN, should also be made more active, frequent, and meaningful. Japan serves as a non-permanent member of the Security Council of the United Nations for two years from this year, and would like to closely consult with ASEAN at the UN as well. To ensure peace and stability in the Asia Pacific in the twenty-first century, I would like to see Japan have frank dialogues on regional security with each of the ASEAN countries on a bilateral basis.

Secondly, as we often have stressed, it is necessary to deepen mutual understanding and to expand cultural cooperation, to consolidate Japan–ASEAN friendship. The rich cultural heritage of each ASEAN country greatly touches our hearts, reminding us of the value of unique living cultures. I think it necessary to preserve these cultures for future generations, and to enhance multilateral endeavors and cooperation respecting cultural diversity. As a concrete measure, I would like to propose to create a multinational cultural mission comprising experts from Japan and ASEAN countries, which would make recommendations for future cultural exchanges and cooperation. I hope that through these exchanges and cooperation, a sense of community will be fostered throughout the Asia Pacific.

Thirdly, Japan and ASEAN should jointly address themselves, by sharing their wisdom and experiences, to various problems that the international community faces as a whole. Given the situation that both Japan and ASEAN increasingly play global roles, their joint initiatives to tackle those

tasks for the twenty-first century, such as terrorism, the environment, enhancing health and welfare, food and energy shortages, population growth, AIDS, narcotics, and reinforcing the rule of law, are sure to provide more breadth and depth to the Japan–ASEAN relationship. The ASEAN countries with remarkable development nowadays support development of other countries still in difficulties, by sharing their successful experiences with them in many fields. It would be quite meaningful that each ASEAN country continues to further support the less developed countries, taking full advantage of their similar religions, cultures, and environments. Japan for her part would like to make efforts through tripartite cooperation so that fruits gained from the Japan–ASEAN cooperation in various fields can widely be enjoyed in other parts of the world.

As Japan and ASEAN strengthen their joint forward-looking cooperation to prepare for the coming century, the most important precondition would be that peace and stability in the Asia Pacific are firmly ensured. And the most important factor for this precondition is, I firmly believe, the presence of the United States. The Japan-US security arrangements are very important framework for engaging the US presence. So I would like to take this opportunity to make it clear that Japan will continue to do its best to maintain confidence in the arrangements. I sincerely hope that the meanings of the arrangements are correctly understood. They serve as a sort of infrastructure for stability and economic prosperity in the Asia Pacific, and are in no sense targeted against any specific country.

Another extremely important factor is relations with China. Every ASEAN country has deep-rooted and inseparable relations with China in historical, cultural, political and economic terms. The same is true of Japan. Now that China has been following a path of modernization through its policy of reform and openness, she takes more part in every arena. It is important for the rest of the world to support the policy direction and to enhance wide ranging dialogues and exchanges with the international community. I am convinced that the presence of a politically stable, economically prosperous China, bound by ties of trust with the rest of the world, would be in everybody's interest in the Asia Pacific and the world over. My view is that the relations among Japan, the United States, and China will have an important impact on the entire Asia Pacific.

In the twenty-first century, prosperous and open societies should be created in the Asia Pacific. To that end, as I have emphasized today, Japan and ASEAN should address squarely their respective challenges, based upon the preconditions of the US presence in Asia and China's further constructive participation in the international community. In that process, Japan and ASEAN should reform their cooperative relations, which have so far placed great weight on the economic field, into broader and deeper ones suitable for the new era. What I have proposed as a concrete step are the following three: firstly, closer dialogues at top level, secondly, multilateral cultural cooperation for preservation and harmony

of unique traditions and cultures, and thirdly, joint endeavors to tackle universal concerns such as terrorism and the environment. The path to the next century and beyond will not be an easy one. It will bring us to many challenges, one after another. But I believe that Japan and ASEAN, using their great wisdom, virtue, and courage, will surely be able to complete this journey to a better world.

(Ministry of Foreign Affairs, Japan, January 1997)

Notes

1 Introduction

- 1 *The Japanese Question: Power and Purpose in a New Era*, Washington, DC, The AEI Press, 1992, p. 18.
- 2 For major studies on Japan's foreign relations in the post-Cold War period, see T. Inoguchi, *Gendai Nihon gaiko*, Tokyo, Chikuma shobo, 1993; A. Kusano and T. Umemoto (eds) *Gendai Nihon gaiko no bunseki*, Tokyo, Tokyodaigaku shuppankai, 1995; R. Drifte, *Japan's Foreign Policy in the 1990s*, London, Macmillan, 1996; A. Fukushima, *Japanese Foreign Policy: The Emerging Logic of Multilateralism*, London, Macmillan, 1999; and M. Iokibe (ed.) *Sengo Nihon gaikoshi*, Tokyo, Yuhikaku, 1999.
- 3 Japan–South East Asian relations have not as yet been fully explored. For overall historical relations, see especially T. Yoshikawa (ed.) *Nihon to Tonanajia*, Tokyo, Tokyo shoten, 1992 and K. Goto, *Kindai Nihon to Tonanajia*, Tokyo, Iwanami shoten, 1995. There are no book-length works on the subject covering contemporary relations, except for the following two compiled volumes of W. Mendl, *Japan and South East Asia*, London, Routledge, 2001. Since there is a critical paucity of studies on Japan–South East Asian relations, we need to look at the major works on Japan's Asia policy, which include: W. Mendl, *Japan's Asia Policy: Regional Security and Global Interests*, London, Routledge, 1995; H. S. Lim, *Japan's Role in Asia*, Singapore, Times Academic Press, 1995; P. Katzenstein and T. Shiraishi (eds) *Network Power: Japan and Asia*, Ithaca, NY, Cornell University Press, 1997; and P. Korhonen, *Japan and Asia Pacific Integration*, London, Routledge, 1998.
- 4 Because of its strategic significance, Okinawa, the southernmost island of Japan, returned to Japanese rule in May 1972 after twenty-seven years of American occupation.
- 5 For a recent analysis on South East Asian international relations, see C. Neher, *Southeast Asia in the New International Era*, Boulder, CO, Westview Press, 1999. ASEAN's quest for a new regional order can be found in D. Wurfel and B. Burton (eds) *Southeast Asia in the New World Order*, New York, Macmillan, 1995; and S. Y. Chia and M. Pacini (eds) *ASEAN in the New Asia*, Singapore, Institute of Southeast Asian Studies, 1997.
- 6 J. Dosch and M. Mols, "Thirty Years of ASEAN: Achievements and Challenges," *The Pacific Review*, 1998, vol. 11, pp. 173–4.
- 7 For an in-depth analysis, see S. Sudo, *The Fukuda Doctrine and ASEAN: New Dimensions in Japanese Foreign Policy*, Singapore, Institute of Southeast Asian Studies, 1992.
- 8 M. Mochizuki, *Japan: Domestic Change and Foreign Policy*, Santa Monica, CA, RAND Corporation, 1995, p. 1. See also K. Pyle, "Restructuring Foreign and Defence

- Policy: Japan," in A. McGrew and C. Brook (eds) *Asia-Pacific in the New World Order*, London, Routledge, 1998, pp. 121–36.
- 9 Mitsubussan boekikeizai kenkyusho, *ASEAN: kiki karano shuppatsu*, Tokyo, Nihon noritsukyokai manejimento senta, 1997, especially, pp. 9–17, 278–300. See also T. Shiraishi, "Nihon no Tonanajia seisaku no saikento," *Kokusai mondai*, 2000, no. 480, pp. 53–64.
 - 10 N. Palmer, *The New Regionalism in Asia and the Pacific*, Lexington, KY, Lexington Books, 1991, pp. 16–17. One of the most important changes in the study of international relations in the post-Cold War era is the reappraisal of regionalism. See, for instance, L. Fawcett and A. Hurrell (eds) *Regionalism in World Politics*, Oxford, Oxford University Press, 1995; A. Gambles and A. Payne (eds) *Regionalism and World Order*, London, Macmillan, 1995; and E. Mansfield and H. Milner (eds) *The Political Economy of Regionalism*, New York, Columbia University Press, 1997. For an assessment of the literature, E. Mansfield and H. Milner, "The New Wave of Regionalism," *International Organization*, 1999, vol. 53, pp. 589–627.
 - 11 A. Hurrell, "Explaining the Resurgence of Regionalism in World Politics," *Review of International Studies*, 1995, vol. 21, p. 332.
 - 12 H. Soesastro (ed.) *ASEAN in a Changing Regional and International Political Economy*, Jakarta, Centre for Strategic and International Studies, 1995, pp. 4–5.
 - 13 J. Mittelman, "Rethinking the 'New Regionalism' in the Context of Globalization," *Global Governance*, 1996, vol. 2, pp. 189–213; B. Hettne, A. Inotai, and O. Sunkel (eds) *Globalization and the New Regionalism*, New York, St Martin's Press, 1999.
 - 14 These three characteristics are from P. Bowles, "ASEAN, AFTA and the 'New Regionalism'," *Pacific Affairs*, 1997, vol. 70, pp. 219–33.
 - 15 O. Young, "Political Leadership and Regime Formation," *International Organization*, 1991, vol. 45, p. 288.
 - 16 D. Rapkin, "Leadership and Cooperative Institutions in the Asia-Pacific," in A. Mack and J. Ravenhill (eds) *Pacific Cooperation: Building Economic and Security Regimes in the Asia-Pacific Region*, St Leonards, NSW, Allen & Unwin, 1994, pp. 98–129.
 - 17 J. Ravenhill, "US–Japan Relations and International Institutions After the Cold War," in P. Gourevitch, T. Inoguchi, and C. Purrington (eds) *United States–Japan Relations and International Institutions After the Cold War*, La Jolla, Graduate School of International Relations and Pacific Studies, University of California, San Diego, 1995, p. 349.
 - 18 R. Higgott, "Ideas, Identity and Policy Coordination in the Asia-Pacific," *The Pacific Review*, 1994, vol. 7, p. 373.
 - 19 The nature of economic and political networks in East Asia has been explored in S. Harris, "Policy Networks and Economic Cooperation," *The Pacific Review*, 1994, vol. 7, pp. 381–95; T. Kato (ed.) *Ajia nettowaku*, Tokyo, Nihon keizai hyoronsha, 1997; G. Segal, "Networked Security: Why We Do Not Need a New Security Framework for East Asia," *Journal of East Asian Affairs*, 1998, vol. 9, pp. 488–505; and T. Hamashita (ed.) *Higashiajia sekai no chiiki nettowaku*, Tokyo, Yamakawa shuppansha, 1999.
 - 20 For the nature of Japan's policy networks and leadership in foreign policy, see P. Katzenstein, "Regionalism Compared: Japan and Asia, Germany in Europe," *Journal of International Political Economy*, 1998, vol. 2, pp. 57–68; B. Edstrom, "Prime Ministerial Leadership in Japanese Foreign Policy," in I. Neary (ed.) *Leaders and Leadership in Japan*, Folkestone, Japan Library, 1996, pp. 243–64.
 - 21 See particularly D. Unger and P. Blackburn (eds) *Japan's Emerging Global Role*, Boulder, Lynne Rienner Publishers, 1993; E. Lincoln, *Japan's New Global Role*,

- Washington, DC, The Brookings Institution, 1993; R. Leitch, A. Kato and M. Weinstein, *Japan's Role in the Post-Cold War World*, Westport, CT, Greenwood Press, 1995; and S. Miyazato (ed.) *Ajia Taiheiyō niokeru kokusai kyōryoku: Nihon no yakuwari*, Tokyo, Sanrei shobo, 1998, for discussions of Japan's role.
- 22 M. Barnhart, *Japan and the World since 1868*, London, Edward Arnold, 1995, p. 188. See also B. Emmott, "The Economic Sources of Japan's Foreign Policy," *Survival*, 1992, vol. 34, pp. 50–70; and K. Calder, "The Institutions of Japanese Foreign Policy," in R. Grant (ed.) *The Process of Japanese Foreign Policy: Focus on Asia*, London, The Royal Institute of International Affairs, 1997, pp. 1–24.
- 23 C. Johnson, *Japan: Who Governs?*, New York, W.W. Norton, 1995, p. 315. W. Nester also concluded: "Japan's hegemony over Southeast Asia will deepen well into the twenty-first century and will undoubtedly be manifested through a regional economic bloc with its headquarters in Tokyo." W. Nester, *Japan and the Third World*, London, Macmillan, 1992, p. 139. A more recent version deems Japan's dominance as embracing Asia by its "keiretsu" strategy. See W. Hatch and K. Yamamura, *Asia in Japan's Embrace: Building a Regional Production Alliance*, Cambridge, Cambridge University Press, 1996.
- 24 A. Rix, "Japan and the Region: Leading from Behind," in R. Higgott, R. Leaver, and J. Ravenhill (eds) *Pacific Economic Relations in the 1990s*, St Leonards, NSW, Allen & Unwin, 1993, p. 65. Richard Doner also stresses "vigorous institutions and a proactive approach" as "prominent features of Japan's political economy." See his "Japan in East Asia: Institutions and Regional Leadership," in Katzenstein and Shiraishi, op. cit., pp. 197–233.

2 The nurturing of a new regionalism in South East Asia

- 1 "Indonesia and the Future of ASEAN," *Indonesian Quarterly*, 1999, vol. 27, p. 292.
- 2 For the historical development of South East Asian international relations, see especially J. Bresnan, *From Dominoes to Dynamos: The Transformation of Southeast Asia*, New York, Council of Foreign Relations, 1994.
- 3 B. A. Hamzah, *ASEAN Relations with Dialogue Partners*, Kuala Lumpur, Pelanduk Publications, 1989, p. 9.
- 4 ASEAN, "Joint Press Release of the Meeting of the ASEAN Foreign Ministers and the Foreign Minister of Japan, Pattaya, June 17, 1978," in ASEAN Secretariat, *ASEAN Documents Series 1967–1986*, Jakarta, ASEAN Secretariat, 1986, p. 386. During the first meeting, the Singapore Foreign Minister Rajaratnam emphasized that "it was Japan's interest to develop available long-term relationship with ASEAN. It was better for Japan to help now when it was healthy and strong rather than wait until ASEAN was sick." *Straits Times* (Singapore), June 18, 1978.
- 5 The former Singapore Foreign Minister underscored the critical role played by Sonoda in organizing the Japan–ASEAN Foreign Ministers' Meeting. Interview with S. Rajaratnam, June 20, 1990.
- 6 M. Antolik, *ASEAN and the Diplomacy of Accommodation*, New York, M. E. Sharpe, 1990, p. 141. One of the most superb analyses on the PMC misses this point. See F. K. Yuen, "ASEAN's Post-Ministerial Conference and Regional Forum," in P. Gourevitch, T. Inoguchi, and C. Purrington (eds) *United States–Japan Relations and International Institutions After the Cold War*, La Jolla, Graduate School of International Relations and Pacific Studies, University of California, San Diego, 1995, pp. 37–58.
- 7 See, for instance, S. Simon, "The Parallel Tracks of Asian Multilateralism," in R. Ellings and S. Simon (eds) *Southeast Asian Security in the New Millennium*, New

- York, M. E. Sharpe, 1996, pp. 13–33. For well-balanced historical overviews of Asian international relations, see M. Yahuda, *The International Politics of the Asia-Pacific, 1945–1995*, London, Routledge, 1995; D. McDougall, *The International Politics of the New Asia Pacific*, Boulder, CO, Lynne Rienner Publishers, 1997.
- 8 See *Far Eastern Economic Review*, September 3, 1992, pp. 22–3. This has been replaced by the so-called Nye Report, which stresses the maintenance of a hundred thousand US forces in Asia.
 - 9 Quoted in P. Polomka, “Asia Pacific Security,” *Australian Journal of International Affairs*, 1990, vol. 44, p. 272. The Clinton administration’s policy of a New Pacific community can be seen in M. Lasater, *The New Pacific Community*, Boulder, CO, Westview Press, 1996.
 - 10 *Far Eastern Economic Review*, December 2, 1993, pp. 12–13.
 - 11 However, B. Harland, *Collision Course*, Singapore, Institute of Southeast Asian Studies, 1996, foresees rather conflicting relations. For a recent analysis, see S. Simon, “Is There a US Strategy for East Asia?,” *Contemporary Southeast Asia*, 1999, vol. 21, pp. 325–43.
 - 12 M. Mackintosh, “The Soviet Union in the Pacific,” in T. B. Millar and J. Walter (eds) *Asia-Pacific Security After the Cold War*, Canberra, Allen & Unwin, 1993, p. 30. For Soviet–South East Asian relations during and after the Gorbachev era, see L. Buszynski, *Gorbachev and Southeast Asia*, London, Routledge, 1992; H. Ellison and B. Acker, *The New Russia and Asia, 1991–1995*, Seattle, The National Bureau of Asian Research, 1996; and K. Watanabe (ed.) *Engaging Russia in Asia Pacific*, Singapore, Institute of Southeast Asian Studies, 1999. Moscow has been invited to the ASEAN Ministerial Meeting since 1992 and became a full dialogue partner in 1996.
 - 13 However, Russia has shown some notable initiatives in its East Asian policy, for example with Yeltsin’s visit to Japan in April 1998, although the so-called Krasnoyarsk agreement could not bear fruit. For an evaluation, see *Asahi Shimbun*, April 19, 1999.
 - 14 *The Nation* (Bangkok), July 17, 1993. See also P. K. Shee, “The South China Sea in China’s Strategic Thinking,” *Contemporary Southeast Asia*, 1998, vol. 19, pp. 369–87; and L. T. Lee, *China and the South China Sea Dialogues*, Westport, CT, Praeger, 1999.
 - 15 As one scholar put it: “No challenge looms larger as we enter the 21st century than the challenge of building a relationship of equality between China and the rest of the region.” *Far Eastern Economic Review*, August 3, 1995, p. 21. For the China threat, see R. Grant, “China and Confidence-Building in East Asia,” in H. Tien and T. Cheng (eds) *The Security Environment in the Asia-Pacific*, Armonk, M. E. Sharpe, 2000, pp. 306–13; and D. Roy, *China’s Foreign Relations*, London, Macmillan, 1998, pp. 218–22.
 - 16 ASEAN, “Singapore Declaration of 1992,” *ASEAN Economic Bulletin*, 1992, vol. 8, p. 376.
 - 17 Accordingly, the third ASEAN Summit in December 1987 was highly motivated by the economic factors. For an overview, see G. Tan, *ASEAN Economic Development and Cooperation*, Singapore, Times Academic Press, 2000, pp. 237–82.
 - 18 *The Straits Times*, Weekly Overseas Edition, April 18, 1992.
 - 19 For a detailed explanation of AFTA, see J. Tan (ed.) *AFTA in the Changing International Economy*, Singapore, Institute of Southeast Asian Studies, 1996.
 - 20 For a recent development, see R. Stubbs, “Signing on to Liberalization: AFTA and the Politics of Regional Economic Cooperation,” *The Pacific Review*, 2000, vol. 13, pp. 297–318.
 - 21 See P. Thambipillai, “The ASEAN Growth Areas: Sustaining the Dynamism,” *The Pacific Review*, 1998, vol. 11, pp. 249–66.

- 22 *New Straits Times* (Kuala Lumpur), December 11, 1990.
- 23 "Coexistence in Asia," speech by the Prime Minister of Malaysia, at the Kyushu Asian Summit for Local Authorities in Kyushu, Japan, October 21, 1994, p. 9.
- 24 *Straits Times*, December 22, 1990. American policymakers also worried that EAEC would play into the hands of domestic voices arguing that Washington provides security in East Asia without gaining sufficient economic benefits. For American objections, see J. Baker and T. DeFrank, *Politics of Diplomacy*, New York, Putnam Publishing, 1995, pp. 609–10.
- 25 *Jakarta Post*, January 9, 1991; *Far Eastern Economic Review*, February 7, 1991, p. 9.
- 26 *New Straits Times*, October 10, 1991; *Far Eastern Economic Review*, October 31, 1991, p. 23.
- 27 *Far Eastern Economic Review*, February 6, 1992, p. 10.
- 28 *Bangkok Post*, August 5, 1993.
- 29 *The Nation*, July 26, 1994.
- 30 *Japan Times*, August 1, 1995.
- 31 *Nihon Keizai Shimbun*, December 16, 1995. In September 1996, furthermore, ASEAN decided to realize EAEC by asking Japan to assist in a program of promoting small and medium enterprises. *Ibid.*, September 13, 1996.
- 32 In this respect, it is noteworthy that a summit meeting of the potential EAEC members was inaugurated in December 1997. See *Yomiuri Shimbun*, December 16, 1997.
- 33 See especially M. Alagappa (ed.) *Asian Security Practice: Material and Ideational Influences*, Stanford, Stanford University Press, 1998, pp. 624–5.
- 34 M. Yahuda, "China: Will It Strengthen or Weaken the Region," in Millar and Walter, *op. cit.*, p. 47.
- 35 It should be noted here that Japan's proactive approach to the establishment of a multilateral security forum had a bearing on Washington's participation. See P. Kerr, "The Security Dialogue in the Asia-Pacific," *The Pacific Review*, 1994, vol. 7, p. 403.
- 36 See D. Singh, "ASEAN and the Security of Southeast Asia," in S. Y. Chia and M. Pacini (eds) *ASEAN in the New Asia*, Singapore, Institute of Southeast Asian Studies, 1997, pp. 118–43. CSCAP is composed of 14 leading research institutes from the ASEAN countries, Japan, the US, Canada, Australia, New Zealand, and China. For the role of ASEAN-ISIS, see M. Noda, "The Role of Nonstate Actors in Building an ASEAN Community," in S. Sekiguchi and M. Noda (eds) *Road to ASEAN-10*, Tokyo, Japan Center for International Exchange, 1999, pp. 167–94.
- 37 *The Nation*, July 26, 1994; *Daily Yomiuri*, July 27, 1994. For a more recent assessment, P. Evans, "Assessing the ARF and CSCAP," in Tien and Cheng, *op. cit.*, pp. 154–72.
- 38 A. Whiting, "ASEAN Eyes China: The Security Dimension," *Asian Survey*, 1997, vol. 37, p. 300.
- 39 *The Economist*, December 20, 1997, p. 28. For a comprehensive analysis on the crisis, see H. Hirakawa, "East Asia's Currency and Economic Crisis and a New Financial and Cooperation Order," a paper presented at the conference on "Toward a New International Financial Order," Taegu, Korea, October 6–8, 1999.
- 40 *The Economist*, February 28, 1998, p. 29.
- 41 J. Funston, "Thai Foreign Policy: Seeking Influence," in *Southeast Asian Affairs 1998*, Singapore, Institute of Southeast Asian Studies, 1998, pp. 292–306.
- 42 *Bangkok Post*, September 20, 1997.
- 43 *The Economist*, December 19, 1998, pp. 29–30.

- 44 For a review and an evaluation of intra-regional problems, see D. Denoon and E. Colbert, "Challenges for the Association of Southeast Asian Nations (ASEAN)," *Pacific Affairs*, 1998–99, vol. 71, pp. 505–23; and N. Ganesan, *Bilateral Tensions in Post-Cold War ASEAN*, Singapore, Institute of Southeast Asian Studies, 1999.
- 45 Foreign Broadcast Information Service, Daily Report-East Asia, November 23, 1990, p. 56. Or as Vietnamese President Le Duc Anh said: "Vietnam wants to use the respite in tension with China to achieve its integration into Southeast Asia." *Asian Defence Journal*, 1994, vol. 24, p. 53.
- 46 *Far Eastern Economic Review*, March 3, 1994, p. 27. During the ASEAN Ministerial Meeting in Bangkok, Myanmar's military junta announced its intention to engage in dialogue with UN Secretary-General towards democratization, national reconciliation, and improvement of human rights. *The Nation*, July 22, 1994.
- 47 *Japan Times*, July 22, 1994.
- 48 For an evaluation of this attempt, see H. Soesastro (ed.) *One Southeast Asia*, Jakarta, Centre for Strategic and International Studies, 1997.
- 49 On its implications for ASEAN, see *Japan Times*, May 7, 1999. It is reported: "But bringing Cambodia into the fold is less a cause for celebration than a reminder that Asean's internal divisions continue to widen as it tries to cope with the political and strategic fallout of the economic crisis." *Far Eastern Economic Review*, May 13, 1999, p. 21.
- 50 This Western pressure led to the inauguration of the ASEAN-ISIS colloquium on human rights in January 1994. See *Asean-ISIS Monitor*, April 1994, pp. 7–9.
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- 52 *Far Eastern Economic Review*, January 28, 1999, p. 26.
- 53 P. Dibb, D. Hale, and P. Prince, "The Strategic Implications of Asia's Economic Crisis," *Survival*, 1998, vol. 40, p. 19.
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- 55 R. Lim, "The ASEAN Regional Forum: Building on Sand," *Contemporary Southeast Asia*, 1998, vol. 20, p. 115.
- 56 R. Sukma, "ASEAN and the ASEAN Regional Forum: Should 'The Driver' be Replaced?," *Indonesian Quarterly*, 1999, vol. 27, p. 246.
- 57 S. Narine, "ASEAN into the twenty-first century," *The Pacific Review*, 1999, vol. 12, p. 358.

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- 2 "Opening Statement," in ASEAN Secretariat (ed.) *Meeting of the ASEAN Heads of Government and Meeting of the ASEAN Heads of Government and the Prime Minister of Japan*, Jakarta, ASEAN Secretariat, 1987, pp. 86–7.
- 3 "Reforms for the New Era of Japan and ASEAN: For a Broader and Deeper Partnership," *ASEAN Economic Bulletin*, 1997, vol. 13, p. 391.
- 4 This section is based on S. Sudo, "Nihon gaiko niokeru ASEAN no ichi," *Kokusaiseiji*, 1997, no. 116, pp. 147–64.
- 5 S. Sudo, *Tonanjia kokusaikankei no kozu*, Tokyo, Keiso shobo, 1996, pp. 194–6.
- 6 For this period, see A. Chantapan, "Changing Patterns of Japan–ASEAN Relations (1967–1989)," Ph.D. dissertation, Johns Hopkins University, 1993.

- 7 T. Fukuda, *Kaiko kyujunen*, Tokyo, Iwanami shoten, 1995, pp. 278, 280.
- 8 P. Korhonen, *Japan and Asia Pacific Integration*, London, Routledge, 1998, p. 121.
- 9 *Look Japan*, April 10, 1981, p. 3.
- 10 "Address by Japanese Prime Minister Yasuhiro Nakasone in Kuala Lumpur, May 9, 1983," *Contemporary Southeast Asia*, 1983, vol. 5, pp. 253–8.
- 11 See "Opening Statement," in ASEAN Secretariat, op. cit., pp. 86–90.
- 12 Group of Fourteen, *ASEAN: The Way Forward*, Kuala Lumpur, Institute of Strategic and International Studies, 1987.
- 13 *Nihon Keizai Shimbun*, December 16, 1987.
- 14 ASEAN Secretariat, *ASEAN Documents Series 1988–1989*, Jakarta, ASEAN Secretariat, 1989, p. 45. For the BBC scheme, see ASEAN Secretariat, *ASEAN Economic Cooperation*, Singapore, Institute of Southeast Asian Studies, 1997, pp. 56–8.
- 15 *The Nation*, May 6, 1989. For the full text, see Appendix II.
- 16 T. Kaifu, "Japan and ASEAN: Seeking a Mature Partnership for the New Age," *ASEAN Economic Bulletin*, 1991, vol. 8, p. 94.
- 17 *Straits Times*, May 4, 1991.
- 18 *Bangkok Post*, October 6, 1991.
- 19 K. Miyazawa, "New Era of the Asia-Pacific and Japan–ASEAN Cooperation," *ASEAN Economic Bulletin*, 1993, vol. 9, pp. 379–80.
- 20 *Mainichi Shimbun*, January 17, 1993.
- 21 *Asahi Shimbun*, August 26, 1994. See also T. Murayama, *Tenmei no 561 nichi*, Tokyo, Besuto serazu, 1996, pp. 111–15.
- 22 On the meaning of this, see T. Shiraishi, "Nihon wa Tonanajia de naniga dekiruka," *Chuokoron*, 1998, vol. 113, pp. 114–23.
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- 28 ASEAN Secretariat, *Annual Report of the ASEAN Standing Committee, 1986–87*, Jakarta, ASEAN Secretariat, 1987, p. 109.
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- 34 *Ibid.*, 1985, p. 423.
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 - 41 *ASEAN Update*, July/October 1996, p. 5.
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 - 44 For the activities and objectives of the ASEAN Center, see “A Guide to ASEAN Center.” <http://www.asean.or.jp/e_as/eas.html >
 - 45 During the 1990s, financial ministers of Japan and ASEAN met several times without formally declaring its institutionalization. In December 1997, for instance, a Japan–ASEAN Finance Ministers’ Meeting was held in Kuala Lumpur and its Joint Press Statement said: “Ministers agreed to hold such meetings on a regular basis in the future.” <<http://www.asean.or.id/economic/prfninj97.htm>>
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 - 48 *Straits Times*, May 25, 1991.
 - 49 *Yomiuri Shimbun*, August 26, 1993.
 - 50 *Mainichi Shimbun*, May 5, 1994.
 - 51 L. T. Lee, “Japanese Responsibility and Contribution to Peace and Prosperity in the Asia-Pacific Region,” in K. Haller (ed.) *Japanese International Responsibility and Contribution to Peace and Prosperity in the Asia-Pacific Region*, Bangkok, Thammasat University, 1995, p. 105.
 - 52 *Asahi Shimbun*, June 10, 1995. For a further explanation, see Y. Wakamiya, *The Postwar Conservative View of Asia*, Tokyo, LTCB International Library Foundation, 1998, chapter 1.
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- 5 S. Sudo, *The Fukuda Doctrine and ASEAN: New Dimensions in Japanese Foreign Policy*, Singapore, Institute of Southeast Asian Studies, 1992, p. 54.
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- 7 Gaimusho, *Gaiko seisho*, Tokyo, Okurasho insatsukyoku, 1988, p. 120.
- 8 For an intriguing analysis on comprehensive security and aid, see D. Wright-Neville, *The Evolution of Japanese Foreign Aid*, Clayton, Vic., Monash Development Studies Centre, Monash University, 1991, pp. 91–5.

- 9 The Foreign Ministry defines Japan's aid philosophy as "the cost of building an international order so as to achieve the comprehensive security of Japan." Gaimusho, *Keizaikyoryoku no rinen*, Tokyo, Kokusai kyoryoku suishin kyokai, 1981, p. 75. Subsequently, Gaimusho's stress on comprehensive security paved the way for Japan's strategic aid. On the nature and problems of Japan's strategic aid, see especially Y. Tanaka, *Enjo toiu gaiko senryaku*, Tokyo, Asahi shimbunsha, 1995; and K. Hashimoto (ed.) *Senryaku enjo*, Kyoto, PHP shuppan, 1995.
- 10 Gaimusho, *Gaiko seisho*, 1993, p. 94.
- 11 Ibid., pp. 96–7. For a further analysis, see Y. Shimomura, J. Nakagawa, and J. Saito, *ODA taiko no seijikeizaigaku*, Tokyo, Yuhikaku, 1999. It should be noted here that this outline is reflected on major elements of comprehensive security and strategic aid.
- 12 Ministry of Foreign Affairs, *Japan's ODA 1993*, Tokyo, Association for Promotion of International Cooperation, 1993, p. 14.
- 13 T. Fujisaki, *et al.*, "Japan as Top Donor: The Challenge of Implementing Software Aid Policy," *Pacific Affairs*, 1996–97, vol. 69, p. 524. As an extension of this policy, Prime Minister Hashimoto announced the Initiatives for Sustainable Development toward the twenty-first century (ISD) in June 1997. See Gaimusho, *Gaiko seisho*, 1998, pp. 200–2.
- 14 On this point, see especially S. Takagi, *From Recipient to Donor: Japan's Official Aid Flows, 1945 to 1990 and Beyond*, Princeton, Department of Economics, Princeton University, 1995, pp. 28–30.
- 15 Gaimusho, *Waga gaiko no kinkyo*, Tokyo, Okurasho insatsukyoku, 1983, p. 8. MITI emphasized the self-reliant economic development of ASEAN countries. See Tsusansho, *Keizai kyoryoku no genjo to mondaiten*, Tokyo, Tsusho sangyo chosakai, 1984, pp. 211–17.
- 16 *Japan's ODA 1999*, p. 129.
- 17 This is a reason why the Japanese government decided not to create an ODA agency. See *Japan Times*, December 4, 1997.
- 18 H. Kohama, *ODA no keizaigaku*, Tokyo, Nihon hyoronsha, 1998, chapter 4.
- 19 A. Nishigaki and Y. Shimomura, *The Economics of Development Assistance*, Tokyo, LTCB Library Foundation, 1999, pp. 145–55.
- 20 T. Watanabe and A. Kusano, *Nihon no ODA wo dosuruka*, Tokyo, NHK suppan, 1991, pp. 66–70.
- 21 See especially A. Kusano, *ODA no tadashii mikata*, Tokyo, Chikuma shinsho, 1997, chapter 3.
- 22 K. Kato, "Why No Politicization in Japan's Aid?," *Tsukuba Review of Law and Political Science*, 1998, no. 24, pp. 59–93.
- 23 *Japan's ODA 1989*, p. 62.
- 24 Ibid., 1987, p. 54.
- 25 See Sudo, *op. cit.*, p. 207.
- 26 *Asahi Shimbun*, October 4, 1986.
- 27 H. Tamura, "ASEAN and Japan on the Eve of the twenty-first century," *ASEAN Economic Bulletin*, 1987, vol. 4, pp. 114–18. See also Tsusansho, *Keizai kyoryoku no genjo to mondaiten*, 1987, pp. 166–70.
- 28 *The Economist*, July 15, 1989, pp. 5–20.
- 29 S. Y. Chia, *Japanese Overseas Direct Investment in ASEAN and Asian NIES*, Tokyo, Institute of Developing Economics, 1991, pp. 60–1. Accordingly, the debate over the effect of Japan's ODA on recipient countries continues. See, for instance, M. Ensign, *Doing Good or Doing Well*, New York, Columbia University Press, 1992; and D. Potter, *Japan's Foreign Aid to Thailand and the Philippines*, London, Macmillan, 1996 for two opposing views.

- 30 Gaimusho, *Gaiko seisho 1992*, pp. 36–7. See also S. Hook and G. Zhang, “Japan’s Aid Policy since the Cold War,” *Asian Survey*, 1998, vol. 38, pp. 1051–66.
- 31 Gaimusho, *Wagakuni no seifu kaihatsuenjo 1997*, pp. 110–11. See also *Asahi Shimbun*, October 2, 1996, for the first case in Cambodia.
- 32 Gaimusho, *Wagakuni no seifu kaihatsuenjo 1997*, p. 161.
- 33 Potter, op. cit., p. 153.
- 34 *Straits Times*, February 6, 1990.
- 35 R. Cronin, “Japan’s Expanding Role and Influence in the Asia-Pacific Region,” CRS Report for Congress, Congressional Research Service, the Library of Congress, September 7, 1990, p. 21.
- 36 *Ibid.*, p. 46. See also F. Bartu, *The Ugly Japanese: Nippon’s Economic Empire in Asia*, Singapore, Longman, 1992.
- 37 A. Bowie and D. Unger, *The Politics of Open Economies*, Cambridge, Cambridge University Press, 1997, p. 42.
- 38 C. Johnson, *Japan: Who Governs?*, New York, W. W. Norton, 1995, p. 56.
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- 41 Dobson also stated: “Japanese networks in the East Asian economies function in more exclusive ways than American firms. This conclusion is not the same as one that states Keiretsu structures are replicated abroad.” W. Dobson, *Japan in East Asia*, Singapore, Institute of Southeast Asian Studies, 1993, p. 57.
- 42 H. S. Lim, *Ajia yonkyoku keizai*, Tokyo, Daiamondo sha, 1995, pp. 5–6. For the nature and extent of Chinese networks, see H. Weidenbaum and S. Hughes, *The Bamboo Network: How Expatriate Chinese Entrepreneurs Are Creating a New Economic Superpower in Asia*, New York, The Free Press, 1996; and T. Watanabe, *Ajia keizai no kozu wo yomu: Kajin nettowaku no jidai*, Tokyo, Nihon hoso shuppan kyokai, 1998.
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- 44 *ASEAN Update*, March/April 1996, p. 1. AICO is to incorporate AIJV and BBC. See K. Shimizu, *ASEAN ikinai keizaikyoryoku no seijikeizaigaku*, Kyoto, Mineruba shobo, 1998, p. 155.
- 45 See particularly T. Kato (ed.) *Ajia nettowaku*, Tokyo, Nihon keizai hyoronsha, 1997, pp. 4–6, 101–2.
- 46 See Tsusansho, *Shinjidai no Ajia kyoryoku*, Tokyo, Tsusho sangyo chosakai shuppanbu, 1996; idem, *Keizaikyoryoku kozokaiaku nimukete*, Tokyo, Tsusho sangyo chosakai shuppanbu, 1997.
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- 48 See K. Fukushima, “Regional Economic Integration and Foreign Direct Investment in the Asia Pacific,” *Ritsumeikan Journal of International Relations and Area Studies*, 1998, no.13, pp. 65–113. For Japan’s investment in Asia, see especially D. Basu and V. Miroshnik, *Japanese Foreign Investments 1970–1998*, Armonk, M. E. Sharpe, 2000.

- 49 J. Naisbitt, *Megatrends Asia*, London, Nicholas Brealey Publishing, 1997, p. 9.
- 50 For the impact of the financial crisis on Chinese networks, see I. Iwasaki, *Gendai Ajia seijikeizai gaku nyumon*, Tokyo, Toyokeizai shimposha, 2000, pp. 175–9. The 1997 financial crisis is further explained in Chapter 6.
- 51 T. Kaifu, “Japan and ASEAN: Seeking a Mature Partnership for the New Age,” *ASEAN Economic Bulletin*, 1991, vol. 8, p. 91.
- 52 R. St. John, “Japan’s Moment in Indochina,” *Asian Survey*, 1995, vol. 35, p. 680. This is indicative of Japan’s policy toward Vietnam during the late 1970s. Interview with Vietnamese Foreign Ministry official, June 3, 1998. For a concise review of recent Japan-Vietnam relations, see H. Kitamura, N. D. Dung, and M. Furuta (eds) *Nihon-Vietnam kankei wo manabu hito no tameni*, Tokyo, Sekaishiso sha, 2000.
- 53 *Japan’s ODA 1994*, p. 301.
- 54 *Japan Times*, March 1, 1995.
- 55 See K. Hirata, “The Challenges to Japan’s Aid: An Analysis of Aid Policy Making,” *Pacific Affairs*, 1998, vol. 71, pp. 311–34.
- 56 Foreign Minister Ikeda’s speech at the ASEAN Post-Ministerial Conference, July 28, 1997. <<http://www.mofa.go.jp>>
- 57 ASEAN Secretariat, *Twenty-Eighth Meeting of the ASEAN Economic Ministers*, Jakarta, ASEAN Secretariat, 1996, p. 36. See also M. Shiraishi, “Posuto reisenki Indoshinaken no chiiki kyoryoku,” in K. Isobe (ed.) *Betnomau to Tai*, Tokyo, Taimeido, 1998, pp. 38–86.
- 58 S. Ichikawa, *Hazusareru Nihon*, Tokyo, NHK books, 1996.
- 59 See S. Matsumoto, *Mekongawa kaihatsu*, Tokyo, Tsukiji shokan, 1997, chapter 9; *Japan’s ODA 1999*, p. 112.
- 60 Prime Minister Obuchi’s visit to Laos and Cambodia in January 2000 is a case in point. While giving its economic assistance to these countries, Japan’s main idea is to redress the so-called ASEAN divide. See *Mainichi Shimbun*, January 11, 2000.
- 61 A. Nakatsuma, “Japan’s ODA: Good and Getting Better,” *Japan Times*, September 7, 1998.
- 62 For LDP’s latest policy guideline, see Jiyuminshuto, “Gaiko seisaku no shishin I: Nihon no Ajia-Taiheiyō senryaku,” Jiyuminshuto gaiko chosakai, April 1997, pp. 26–9.
- 63 See *Daily Yomiuri*, March 14, 1998 and *Japan Times*, April 27, 1998.
- 64 Hirata, op. cit., p. 319. It is reported that the amount of 1999 ODA reached the highest ever level, exceeding \$15 billion. *Yomiuri Shimbun*, October 21, 2000.
- 65 *Japan’s ODA 1999*, pp. 172–92. See also D. Yasutomo, “Nihon no tai Ajia ODA no gaikoteki wakugumi,” in S. Urata and T. Kinoshita (eds) *Ajia keizai: Risuku eno chosen*, Tokyo, Keiso shobo, 2000, pp. 219–41.

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- 2 See particularly, T. Kuriyama, “Gekido no 90nendai to Nihongaiko no shinten kai,” *Gaiko Forum*, 1990, no. 20, pp. 12–21.
- 3 As one South East Asian scholar noted: “Now is the time for Japan to explore the possibilities of security cooperation with ASEAN.” *Asahi Shimbun*, January 6, 1995.
- 4 See S. Sudo, *Southeast Asia in Japanese Security Policy*, Singapore, Institute of Southeast Asian Studies, 1991.

- 5 S. Sudo, "Japan and the Security of Southeast Asia," *The Pacific Review*, 1991, vol. 4, p. 334.
- 6 For a further discussion, see C. Khamchoo, "Japan's Role in Southeast Asian Security," *Pacific Affairs*, 1991, vol. 64, pp. 7–22.
- 7 See Y. Nagatomi (ed.) *Masayoshi Ohira's Proposal*, Tokyo, Foundation for Advanced Information and Research, 1988.
- 8 The report also stressed the need to dispatch defense officials overseas as part of the UN peacekeeping operations. *Asahi Shimbun*, July 28, 1980.
- 9 Nagatomi, op. cit., p. 236.
- 10 *Asahi Shimbun*, December 19, 1984.
- 11 *Japan Economic Journal*, December 17, 1988.
- 12 *Straits Times*, November 30, 1987.
- 13 *Ibid.*, July 6, 1989.
- 14 *Nihon Keizai Shimbun*, July 2, 1989.
- 15 *The Nation*, May 5, 1990.
- 16 *Straits Times*, May 11, 1990.
- 17 *The Nation*, May 15, 1990.
- 18 Gaimusho, *Gaiko seisho*, Tokyo, Okurasho insatsukyoku, 1992, pp. 234–5.
- 19 For an official elaboration, see particularly Y. Imagawa, *Cambodia to Nihon*, Tokyo, Rengo shuppan, 2000, pp. 93–100. Former Vice-Foreign Minister Hisashi Owada stressed the fact that Japan's persuasion could change Hun Sen's attitudes. H. Owada, *Gaiko towa nanika*, Tokyo, NHK shuppan, 1996, p. 217.
- 20 Personal communication with Masaharu Kohno, May 5, 1999.
- 21 For an interesting behind the scenes story on this matter, see *Daily Yomiuri*, May 22, 1992.
- 22 Boeicho, *Boei hakusho 1992*, Tokyo, Okurasho insatsukyoku, 1992, p. 159. Ichiro Ozawa has influenced this to a large extent. See his "Kokusaisaikai niokeru Nihon no yakuwari," *Bungeishunju*, 1992, vol. 70, pp. 132–45.
- 23 K. Pyle, "Japan's Emerging Strategy in Asia," in R. Ellings and S. Simon, (eds), *Southeast Asian Security in the New Millennium*, Armonk, M.E. Sharpe, 1996, p.136.
- 24 Hisashi Owada attributes the success of the Cambodian resolution to the fine-tuning of Japan's diplomatic efforts and the UNTAC directed by Akashi. Owada, op. cit., p. 218.
- 25 On this point, see particularly Heiwa anzenhoshō kenkyūsho, *Ajia Taiheiyō, tokumi Minamishinakai wo Chushin tosuru Tonanajia chūkinō gunjisenryakukankyō no henkato wagakuni no anzenhoshō niyobosu eikyō*, Tokyo, Heiwa anzenhoshō kenkyūsho, 1993.
- 26 *International Herald Tribune*, April 4, 1995.
- 27 See *Yomiuri Shimbun*, February 10, 1995. A Philippine official even asked Japan for its security assistance. *Nihon Keizai Shimbun*, February 18, 1995.
- 28 *Far Eastern Economic Review*, April 14, 1995, p. 25.
- 29 *The Nation*, July 22, 1996. For a superb analysis on Japanese policy toward the South China Sea issue, see P. E. Lam, "Japan and the Spratly Dispute: Aspirations and Limitations," *Asian Survey*, 1996, vol. 36, pp. 995–1010.
- 30 J. N. Mak and B. A. Hamzah, "The External Maritime Dimension of ASEAN Security," in D. Ball, (ed.) *The Transformation of Security in the Asia/Pacific Region*, London, Frank Cass, 1996, p. 130.
- 31 *Yomiuri Shimbun*, January 11, 1998.
- 32 Y. Sato, "1995 nen no fushime ni mukatte," *Gaiko Forum*, 1994, no. 64, p. 15.
- 33 "Statement by Taro Nakayama," in ASEAN Secretariat, *Twenty-Fourth ASEAN Ministerial Meeting and Post-Ministerial Conferences with the Dialogue Partners*, Jakarta, ASEAN Secretariat, 1991, pp. 70–1. For Nakayama's attempt, see T. Nakayama, *Ajia wa 21seiki ni dougokuka*, Tokyo, TBS Buritanika, 1997, pp. 264–6; and

- P. Midford, "Japan's Leadership Role in East Asian Security Multilateralism," *The Pacific Review*, 2000, vol. 13, pp. 367–97.
- 34 This section is largely based on D. Dewitt, "Common, Comprehensive, and Cooperative Security," *The Pacific Review*, 1994, vol. 7, pp. 1–15; and A. Fukushima, *Japanese Foreign Policy: The Emerging Logic of Multilateralism*, London, Macmillan, 1999, pp. 107–25.
- 35 P. Kerr, A. Mack, and P. Evans, "The Evolving Security Discourse in the Asia-Pacific," in A. Mack and J. Ravenhill (eds) *Pacific Cooperation*, St Leonards, NSW, Allen & Unwin, 1994, p. 252.
- 36 Sato, *op. cit.*, pp. 15–6. Leifer also argues that "Japan's initiative was significant in indicating its sustained and deep reluctance to assume a conventional regional security role and to revise island defence plans for such a wider purpose." M. Leifer, *The ASEAN Regional Forum*, Adelphi Paper 302, London, Oxford University Press, 1996, p. 24.
- 37 Y. Sato, "Emerging trends in Asia-Pacific security: the role of Japan," *The Pacific Review*, 1995, vol. 8, pp. 273–4. Tsuyoshi Kawasaki distinguishes Japan's realists, represented by Nishihara, and liberals, represented by Yukio Sato, and concludes that "the Liberal conception of a region-wide multilateral forum formed the ideational backbone of Japan's policy toward the ARF in the inception years" without explicating the reason. However, even if there exist opposing groups in Japan, their positions are quite blurred because Nishihara never objected to the establishment of the ARF. Interview with Masashi Nishihara, October 3, 1998. For Kawasaki's analysis, see "Between Realism and Idealism in Japanese Security Policy: The Case of the ASEAN Regional Forum," *The Pacific Review*, 1997, vol. 10, pp. 480–503.
- 38 Gaimusho, *Gaiko seisho 1995*, p. 35.
- 39 "Kono's Statement at the ASEAN Post-Ministerial Conferences," Bandar Seri Begawan, August 2, 1995. <<http://www.mofa.go.jp>>
- 40 C. Hughes, "Japan's Subregional Security and Defence Linkages with ASEANs, South Korea and China in the 1990s," *The Pacific Review*, 1996, vol. 9, p. 232.
- 41 *Far Eastern Economic Review*, April 6, 1995, pp. 14–5; *Nihon Keizai Shimbun*, March 31, 1995.
- 42 *Far Eastern Economic Review*, August 3, 1995, p. 22.
- 43 *Ibid.*, June 8, 1995, p. 15. See also, *Asahi Shimbun*, July 14, 1995.
- 44 *Far Eastern Economic Review*, April 27, 1995, p. 28; *Asahi Shimbun*, April 23, 1995.
- 45 *Far Eastern Economic Review*, December 28, 1995–January 4, 1996, p. 18; *Nihon Keizai Shimbun*, December 25, 1995.
- 46 *Far Eastern Economic Review*, September 5, 1996, p. 28.
- 47 *Ibid.*, March 28, 1996, p. 16; *Asahi Shimbun*, March 11, 1996.
- 48 *Asahi Shimbun*, July 24, 1996.
- 49 *The Economist*, August 2, 1997, p. 20. See also *Yomiuri Shimbun*, July 28, 1997.
- 50 *Mainichi Shimbun*, July 28, 1998.
- 51 *Far Eastern Economic Review*, April 24, 1997, p. 28.
- 52 Gaimusho, *Gaiko seisho 1998*, p. 33. See also Boeicho, *Boei hakusho 1998*, pp. 203–4, for its efforts to strengthen the ARF and security dialogues with the ASEAN countries.
- 53 *Look Japan*, August 1998, p. 3.
- 54 *Asahi Evening News*, July 29, 1999; *Mainichi Shimbun*, July 28, 2000.
- 55 S. Tomoda, "Japan's Search for a Political Role in Asia," *Japan Review of International Affairs*, 1992, vol. 6, p. 43. For official accounts of Japan's role in the Cambodian conflict, see T. Ikeda, *Cambodia wahei enomichi*, Tokyo, Toshi shuppan, 1996; and M. Kohno, *Wahei kosaku*, Tokyo, Iwanami shoten, 1999.

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- 57 *Asahi Shimbun*, July 20, 1997; *Yomiuri Shimbun*, July 27, 1997; *Asahi Shimbun*, January 21, 1998.
- 58 *Mainichi Shimbun*, November 8, 1997; March 3, 1998. For an intriguing Hun Sen interview on his "coup," see S. Ogura, "Cambodia seiken to Kumeru ruju," *Sekai*, 1997, no. 642, pp. 110–24.
- 59 Interview with a Cambodian Foreign Ministry official, June 3, 1998. See also *Nihon Keizai Shimbun*, March 31, 1998; and Imagawa, op. cit., pp. 227–8.
- 60 *Mainichi Shimbun*, August 1, 1998.
- 61 *Kokusai kyoryoku puraza*, May 1999, pp. 8–9.
- 62 M. Nishihara, "Takokukan kyochoshugi no zeijyakusei," *Boeidaigakuko kiyo*, 1994, no. 68, p. 25.
- 63 Leifer, op. cit., p. 57.
- 64 F. K. Yuen, "Making Bricks without Straws," *The Pacific Review*, 1997, vol. 10, p. 296.
- 65 "Security Studies and the End of the Cold War," *World Politics*, 1995, vol. 48, p. 132.
- 66 Dewitt, op. cit., p. 7.
- 67 H. Nakanishi, "Sogoanzenhosho seisaku no saikosei," in R. Kokubun (ed.) *Nihon, America, Chugoku*, Tokyo, TBS Buritanika, 1997, pp. 85–133.
- 68 *Yomiuri Shimbun*, May 25, 1999.

6 Molding a new regionalism in East Asia

- 1 "Creating a New Asia," *Japan Echo*, 1999, vol. 26, p. 12.
- 2 See particularly H. Holland, *Japan Challenges America*, Boulder, Westview Press, 1992; D. Encarnation, *Rivals beyond Trade: America versus Japan in Global Competition*, Ithaca, NY, Cornell University Press, 1992; J. Frankel and M. Kahler, (eds) *Regionalism and Rivalry*, Chicago, The University of Chicago Press, 1993.
- 3 Y. Funabashi, "Japan's Moment of Truth," *Survival*, 2000–01, vol. 42, p. 73. See also R. Buckley, "Japan, Asia, and the Crash: The Region and Realities, 1997–2000," *Journal of Social Science*, 2000, no. 44, pp. 73–81; and A. MacIntyre, "Can Japan Ever Take Leadership? The View from Indonesia," JPRI Working Paper, no. 57, May 1999, for the thesis of Japan's policy paralysis.
- 4 Throughout this chapter East Asia means the region covered by the traditional geographical areas of the ten South East Asian states and the four Northeast Asian states of China, Japan, and two Koreas.
- 5 D. Crone, "The Politics of Emerging Pacific Cooperation," *Pacific Affairs*, 1992, vol. 65, p. 83.
- 6 *The Nation*, July 28, 1993.
- 7 See particularly S. Ichimura, "NAFTA tai AFTA: Ajia no chiikikyoryoku wo APEC ni ipponkasezuni," *Sekai keizai hyoron*, 1994, vol. 38, pp. 39–47.
- 8 Funabashi substantiates the conflict between the Foreign Ministry and MITI. See Y. Funabashi, *Asia Pacific Fusion: Japan's Role in APEC*, Washington, DC, Institute for International Economy, 1995, especially chapter 11.
- 9 See *Nihon Keizai Shimbun*, July 9, 1993.
- 10 K. Kojima, "Opun rijonarizumu," *Sekai keizai hyoron*, 1993, Vol. 37, pp. 81–5. See also R. Garnaut, *Open Regionalism and Trade Liberalism*, Singapore, Institute of Southeast Asian Studies, 1996.
- 11 Gaimusho, *Gaiko seisho 1993*, Tokyo, Okurasho insatsukyoku, 1994, p. 84.
- 12 M. Plummer, "ASEAN and Institutional Nesting in the Asia-Pacific: Leading from Behind in APEC," in V. Aggarwal and C. Morrison (eds) *Asia-Pacific*

- Crossroads: Regime Creation and the Future of APEC*, London, Macmillan, 1998, pp. 312–13.
- 13 *Asahi Shimbun*, November 26, 1996.
 - 14 For instance, the ASEAN Secretary general proposed the dissolution of the Summit meeting while maintaining the ministerial meeting. *Nihon Keizai Shimbun*, October 23, 1999.
 - 15 M. Ariff, “The EAEC and the Role of Japan,” in Chuodaigaku keizai kenkyusho (ed.) *Ajia no taito to Nihon no yakuwari*, Tokyo, Chuodaigaku shuppankai, 1995, p. 154.
 - 16 *Asahi Shimbun*, January 15, 1993. Here is an episode that shows how strong was the Foreign Ministry’s opposition to the proposed EAEC. Soon after this author’s short essay, advocating the proposal, appeared in one of the leading Japanese economic journals in February 1991, some Foreign Ministry officials directly contacted the author and urged: “You would better stop advocating the ill-founded proposal for your future career.”
 - 17 *Asahi Evening News*, April 11, 1992.
 - 18 See, for instance, K. Ogura, “A Call for a New Concept of Asia,” *Japan Echo*, 1993, vol. 20, pp. 37–44.
 - 19 See activities of the committee, T. Tsubouchi, *Ajia fukken no kibo Mahathir*, Tokyo, Akishobo, 1994, pp. 193–5. Hashimoto was of the opinion that EAEC would constrain the ossification of NAFTA. R. Hashimoto, *Vision of Japan*, Tokyo, K. K. Besuto serazu, 1993, pp. 84–6.
 - 20 “Coexistence in Asia,” speech by the Prime Minister of Malaysia at the Kyushu-Asian Summit for Local Authorities in Kyushu, Japan, October 21, 1994, p. 8.
 - 21 *Nihon Keizai Shimbun*, April 6, 1995.
 - 22 *Yomiuri Shimbun*, January 6, 1995. It is interesting to note that around this time several articles appeared to support the EAEC. See, for instance, Y. Nagatomi, “Economic Regionalism and the EAEC,” *Japan Review of International Affairs*, 1995, vol. 9, pp. 206–11.
 - 23 *Yomiuri Shimbun*, April 9, 1995.
 - 24 For Hiramatsu’s initiative, see S. Sudo, “Higashi Ajia chichukai niokeru chiiki kokusaikankei,” in K. Sakaguchi and T. Maruya (eds) *Kokusai koryuken no jidai*, Tokyo, Taimeido, 1996, pp. 134–46. For the case of Kanagawa, see S. Leong, “The East Asian Economic Caucus (EAEC): ‘Formalized’ Regionalism Being Replaced,” in B. Hettne, A. Inotai, and O. Sunkel (eds) *National Perspectives on the New Regionalism in the South*, London, Macmillan, 2000, p. 85.
 - 25 *Nihon Keizai Shimbun*, March 11, 1999.
 - 26 *Japan Times*, March 22, 1999.
 - 27 Quoted from Leong, op. cit., p. 57.
 - 28 Japan kept a low-profile throughout the meeting. Interview with Thanat Khoman, August 18, 1996.
 - 29 *Nihon Keizai Shimbun*, April 5, 1998. See also J. Gilson, “Japan’s Role in the Asia-Europe Meeting,” *Asian Survey*, 1999, vol. 39, pp. 736–52.
 - 30 D. Asher, “A US-Japan Alliance for the Next Century,” *Orbis*, vol. 41, 1997, p. 356. Funabashi explicates the decision-making process in Japan. Y. Funabashi, *Alliance Adrift*, New York, Council on Foreign Relations Press, 1999.
 - 31 Boeicho, *Boei hakusho*, Tokyo, Okurasho insatsukyoku, 1996, pp. 84–8.
 - 32 M. Mochizuki, “Toward a New Japan-US Alliance,” *Japan Quarterly*, 1996, vol. 43, p. 6.
 - 33 Quoted from *Gaiko Forum*, 1996, no. 94, p. 162
 - 34 See, for instance, *Asahi Shimbun*, April 18, 1996.
 - 35 B. Garrett and B. Glaser, “Chinese Apprehensions about Revitalization of the US-Japan Alliance,” *Asian Survey*, 1997, vol. 37, p. 392.

- 36 *Far Eastern Economic Review*, October 9, 1997, pp. 24–8.
- 37 J. Wanandi, “The Strategic Implications of the Economic Crisis in East Asia,” *Indonesian Quarterly*, 1998, vol. 26, p. 5. For Southeast Asian perceptions of the strengthened relationship between Japan and the United States, see articles by Kavi Chongkittavorn, Jusuf Wanandi, Emmanuel Lallana, Lee Poh Ping, and Lee Lai To in “Ajia no me,” *Sekai*, 1997, no. 641, pp. 153–73.
- 38 “Chiikianzenhoshō no atarashii chitsujō womezashite,” *Gaiko Forum*, 1997, no. 112, p. 40.
- 39 *Far Eastern Economic Review*, December 24, 1998, p. 19.
- 40 Department of Defense, *The US Strategy for the East Asia-Pacific Region*, Washington, D.C., Department of Defense, 1998, p. 61.
- 41 *Nihon Keizai Shimbun*, April 17, 1999; *Far Eastern Economic Review*, June 3, 1999, p. 27.
- 42 World Bank, *The East Asian Economic Miracle: Economic Growth and Public Policy*, New York, Oxford University Press, 1993.
- 43 W. Hatch and K. Yamamura, *Asia in Japan’s Embrace: Building a Regional Production Alliance*, Cambridge, Cambridge University Press, 1996. For an opposing view, see M. Bernard and J. Ravenhill, “Beyond Product Cycles and Flying Geese: Regionalization, Hierarchy, and the Industrialization of East Asia,” *World Politics*, 1995, vol. 47, pp. 171–209.
- 44 C. H. Kwan, *Economic Interdependence in the Asia-Pacific Region: Towards a Yen Bloc*, London, Routledge, 1994, p. 157. See also I. Inoue, *Oshū no kokusaisuka to Ajia no kokusaisuka*, Tokyo, Nihon keizai hyoronsha, 1994.
- 45 *Asahi Shimbun*, March 16, 1995. Some of the major works on the formation of a yen bloc came to the same conclusion. See, for instance, J. Frankel, “Is Japan Creating a Yen Bloc in East Asia and the Pacific?,” in J. Frankel and M. Kahler (eds) *Regionalism and Rivalry*, Chicago, University of Chicago Press, 1993, pp. 53–85; T. Kawakami and E. Imamatsu (eds) *En no seijikeizai gaku*, Tokyo, Dobunkan, 1997.
- 46 T. Oba, “Japan’s Role in East Asian Investment and Finance,” *Japan Review of International Affairs*, 1995, vol. 9, p. 250.
- 47 *Far Eastern Economic Review*, June 15, 1995, p. 52.
- 48 On this point, see C. H. Kwan, “Ajia tsukaken no keisei nimukatte,” in Kenkyū jōhō kikin (ed.) *Nihon no kokueki wa nanika*, Tokyo, FAIR, 1997, p. 186.
- 49 The August IMF bailout package for Thailand failed to stem the spread of financial instability to other countries in Asia. On this point and other aspects of the financial crisis, see M. Goldstein, *The Asian Financial Crisis*, Washington, DC, Institute of International Economics, 1998; and H. Arndt and H. Hill (eds) *Southeast Asian Economic Crisis*, Singapore, Institute of Southeast Asian Studies, 1999.
- 50 *The Nation*, August 15, 1997. For Japan’s positive role in Thailand and Indonesia, see P. Phongpaichit and C. Baker, *Thailand’s Crisis*, Bangkok, Silkworm Books, 2000, especially pp. 58–63; and Sujatmiko, “Japan’s Role in Overcoming the Indonesian Economic Crisis,” *Asia-Pacific Review*, 1999, vol. 6, pp. 109–31.
- 51 Interview with a former Japanese governmental official, June 2, 1998. See also H. Hirakawa, “The Asian Monetary Fund and the Miyazawa Initiative,” a paper presented at the conference on “Economic Sovereignty in a Globalising World,” Bangkok, March 23–6, 1999; and K. Hamada, “From the AMF to the Miyazawa Initiative: Observations on Japan’s Currency Diplomacy,” *Journal of East Asian Affairs*, 1999, vol. 13, pp. 33–50.
- 52 E. Altbach, “The Asian Monetary Fund Proposal: A Case Study of Japanese Regional Leadership,” *JEI Report*, no. 47A, December 19, 1997, p. 8.

- 53 E. Sakakibara, *Nihon to sekai ga furueta hi*, Tokyo, Chuokoron shinsha, 2000, pp. 178–90.
- 54 *Asahi Shimbun*, October 22, 1997; *Far Eastern Economic Review*, November 27, 1997, pp. 79–80.
- 55 C. B. Johnstone, “Strained Alliance: US-Japan Diplomacy in the Asian Financial Crisis,” *Survival*, 1999, vol. 41, p. 126.
- 56 *Nihon Keizai Shimbun*, November 6, 1997 (evening issue).
- 57 *Ibid.*, November 20, 1997. IMF’s traditional responses to economic crises have come under strong criticism. See, for instance, *The Economist*, December 13, 1997, pp. 77–8; *Business Week*, December 15, 1997, p. 12.
- 58 As Sakakibara explains: “The AMF concept was only an offshoot of an international meeting for supporting Thailand held in Tokyo on August 11, but Washington seemed to have taken the move as a Japanese challenge to the US hegemony, and as a result, we unnecessarily hurt our pride.” Sakakibara, *op. cit.*, pp. 185–6.
- 59 *Japan Times*, December 17, 1997. This is pointed out as a cause for concern over Japan’s regional leadership. See especially *Asahi Shimbun*, November 15, 1998. Mahathir lamented that Japan should have pursued its efforts to establish the AMF despite American objection. Mahathir bin Mohamad, *Nihon saisei, Ajia shinsei*, Tokyo, Tachibana shuppan, 1999, pp. 171–2.
- 60 *Asahi Shimbun*, December 2, 1997.
- 61 *Japan Times*, March 2, 1998.
- 62 Sakakibara, *op. cit.*, pp. 223–4. Consequently, the “crisis” of global capitalism has come to the fore. See G. Soros, *The Crisis of Global Capitalism*, New York, Public Affairs, 1998; and J. Gray, *False Dawn: The Delusions of Global Capitalism*, London, Granta Publications, 1998.
- 63 *Yomiuri Shimbun*, December 1, 1999. See also J. Mathews and L. Weiss, “The Case for an Asian Monetary Fund,” JPRI Working Paper, no. 55, March 1999.
- 64 *Yomiuri Shimbun*, August 25, 1998. The resumption of Japan’s loan to Malaysia as part of Japan’s financial support package is a case in point. See *Nihon Keizai Shimbun*, September 23, 1998.
- 65 *Japan Times*, October 5, 1998. According to Sakakibara, there existed an agreement that the US would support Japan’s rescue plan for East Asia while Japan would support the American rescue plan for Brazil. Sakakibara, *op. cit.*, p. 76.
- 66 *Nihon Keizai Shimbun*, November 18, 1998.
- 67 *Japan Times*, November 25, 1998.
- 68 *Far Eastern Economic Review*, December 31, 1998 and January 7, 1999, p. 13.
- 69 Group 21, “Japan Must Introduce an Asian Currency,” *Japan Echo*, 1999, vol. 26, p. 24.
- 70 K. Bessho, *Identities and Security in East Asia*, Adelphi Paper 325, London, Oxford University Press, 1999.
- 71 Quoted in Y. Funabashi, “Japan and New World Order,” *Foreign Affairs*, 1991–92, vol. 70, p. 64.
- 72 N. Hatakeyama, *Tsusho koshō: Kokuetsu wo meguru dorama*, Tokyo, Nihon keizai shimbun sha, 1996, p. 167.
- 73 E. Brown, “The Debate over Japan’s Strategic Future,” *Asian Survey*, 1993, vol. 33, p. 548.
- 74 See T. Aoki, “Imakoso takokukan bunkagaiko wo,” *Chuokoron*, 1998, vol. 113, pp. 52–64. Two of the Hashimoto proposals were put into practice in the form of the Japan–ASEAN Roundtable on Development in May and then the ASEAN Foundation in July 1998. See *Kokusai kyoryoku puraza*, July 1998, p. 9 and September 1998, p. 7. Hashimoto explains his policy initiatives in his “Ajia gaiko

- zatsudan,” in R. Kokubun (ed.) *Gendai Ajia*, Tokyo, Keiogyokudaijingu shuppankai, 1999, pp. 267–87.
- 75 *Japan Times*, December 17, 1998. See also A. Tanaka, “Obuchi Diplomacy,” *Japan Echo*, 1999, vol. 26, pp. 8–12.
- 76 *Asahi Shimbun*, September 25, 1998.
- 77 *Japan Times*, November 29, 1999.
- 78 ASEAN, “Joint Statement on East Asian Cooperation,” Manila, November 28, 1999. <<http://www.asean.or.id>>
- 79 *International Herald Tribune*, November 26, 1999.
- 80 Gaimusho, *Gaiko seisho*, Tokyo, Okurasho insatsukyoku, 2000, pp. 42–3.
- 81 Altbach, op. cit., p. 12.

7 Conclusion

- 1 “Statement by Yohei Kono on the occasion of the Japan–ASEAN Ministerial Meeting,” Bangkok, July 28, 2000. <<http://www.mofa.go.jp>>
- 2 *Far Eastern Economic Review*, August 29, 1996, p. 34.
- 3 *Asiaweek*, September 1, 2000, p. 45.
- 4 J. Henderson, *Reassessing ASEAN*, Adelphi Paper 326, London, Oxford University Press, 1999, p. 62.
- 5 K. Y. Lee, *From Third World to First*, New York, Harper Collins, 2000, p. 520.
- 6 *Yomiuri Shimbun*, January 11, 2000.
- 7 *Straits Times*, April 29, 2000.
- 8 *Yomiuri Shimbun*, May 3, 2000.
- 9 D. Peng, “The Changing Nature of East Asia as an Economic Region,” *Pacific Affairs*, 2000, vol. 73, pp. 189–90.
- 10 *Asahi Shimbun*, May 7, 2000.
- 11 W. J. Long, “Nonproliferation as a Goal of Japanese Foreign Assistance,” *Asian Survey*, 1999, vol. 39, pp. 344–5.
- 12 See, for instance, S. Neuman (ed.) *International Relations Theory and the Third World*, London, Macmillan, 1998; and L. Fawcett and Y. Sayigh (eds) *Developing Countries and the End of the Cold War*, Oxford, Oxford University Press, 1999.
- 13 For a pioneering work, see M. Iokibe (ed.) *Ajiagata ridashippu to kokka keisei*, Tokyo, TBS Buritanika, 1998. See also S. Maswood (ed.) *Japan and East Asian Regionalism*, London, Routledge, 2001.
- 14 *The Economist*, July 15, 2000, p. 22.
- 15 The late Prime Minister Obuchi proposed to establish an Eminent Persons Group from all the ASEAN states and Japan in December 1998. The Group was mandated to formulate a set of concrete recommendations to enhance Japan–ASEAN cooperation and to present it to the Heads of Governments of ASEAN and Japan at the ASEAN–Japan Summit Meeting in Singapore in November 2000. The final report was announced just before the Summit, which emphasized: “[T]he enlargement of ASEAN unfortunately coincided with the Asian financial crisis highlighted the emergence of a two-tier ASEAN. This was aggravated by the difficulties the old ASEAN members have in contributing to the economic goals sought by the new members. While ASEAN tackles the task of closing the ASEAN divide, it needs the cooperation of external partners to help surmount this challenge. In this context, Japan has demonstrated both its willingness and capacity to cooperate with ASEAN as a reliable partner.” See “Towards Vision 2020: ASEAN–Japan Consultation Conference on the Hanoi Plan of Action,” October 2000. <http://www.jiia.or.jp/nichi_asean/e_summary.html>

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