

ASEAN's Role and its Management of the Sino-Japanese Rivalry

Tai Wei Lim

Introduction

As the US gets involved in the post-War on Iraq reconstruction and is bogged down by the escalating postwar violence there, a quiet but new equilibrium is emerging in East Asia. The regional powers of China and Japan are aligning vis-à-vis themselves to achieve a new power structure and equilibrium in East Asia. The new equilibrium may not necessarily mean more instability for the region but might impose some adjustment discomforts for all East Asian states and organizations like ASEAN (Association of Southeast Asian Nations). The need to accommodate new players and maintain ties with old ones will require delicate rebalancing of interests and realignments of positions. Part of this new equilibrium entails resolving Sino-Japanese rivalries over regional security organizations, including that of ASEAN. Overall, from ASEAN's point of view (both military and economically), they have to deal with the simultaneous presence of two increasingly assertive regional powers, a Japan that is still the world's second largest economy and increasingly muscular militarily and a China that is becoming a formidable economic force on top of being the traditional nuclear power in East Asia.

Conducive for Neutrality

ASEAN as a grouping wants to achieve equilibrium in its ties with both China and

Japan and treat its relations with both of them in a neutral manner. At the same time as ASEAN wants to maintain economic ties with the Japanese, some leaders prefer to see the Chinese card as an option to place less reliance on the developed West (traditionally including Japan), particularly the US in terms of trade as well as political leadership. Some

“**WITHIN THE ORGANIZATION ITSELF, THE MEMBERS ARE EQUALLY DIVIDED IN THEIR AFFILIATIONS TO THE TWO POWERS.**”

ASEAN leaders have positioned US priorities in issues like terrorism and rebuilding Iraq as minor ones compared to other regional economic developmental issues that are more closely aligned with Chinese interests. Thus, in some sense, for these ASEAN leaders, China is more of a natural ally than the Americans, especially in issues like the regional economy. By this logic, since Japan is closely aligned with US interests, Japan might be perceived to be veering away from ASEAN interests in comparison with the Chinese.

Because of its traditionally interwoven interests with both countries, ASEAN may then be located as a neutral medium for balancing the two countries militarily and economically, performing an unofficial function as a security organization that perpetuates peace in the South China Sea, a delineating line between Japan and China. Within the organization itself, the members are equally divided in their affiliations to the two powers. Myanmar is a traditional close ally of China, buying arms from China (for e.g. Myanmar is one of the largest customers

134 *ASEAN's Role and its Management of the Sino-Japanese Rivalry*

Southeast Asia

of the Chinese export F-7M fighters) and even reportedly hosting some of China's military equipment. Vietnam is a socialist country that switched from being a close communist comrade of China to an adversary during the era of the Sino-Soviet conflict, becoming a Soviet client state.

Indonesia, a close ally of China during the Sukarno years during the 1960s, became fiercely anti-communist during Suharto's years and only established formal relations with China many years later. The irony is that Sukarno's daughter is now back as the president of Indonesia after the fall of the Suharto regime during the 1997 Asian financial crisis. Thailand, which some in ASEAN now see as the next leader of ASEAN, is a strong ally of the US and the only ASEAN state that was not formerly Japanese colony during WWII. It receives large amounts of investments from Japan (the main production facility for Japanese automobile manufacturing in Southeast Asia) and was involved in hosting Japanese warships on their way to the Gulf recently. Singapore is the most economically advanced country in ASEAN, serving as a regional headquarters for many Japanese multinational companies (MNC) and a strong US ally. Singapore hosted Japanese Self-Defense Force (SDF) C-130 military planes when Japan evacuated her citizens from Cambodia in the 1990s. At the same time, however, she remains the only ASEAN country to be populated mainly by overseas Chinese whose older denizens bore the brunt of Japanese brutalities during WWII.

The Philippines remains another strong ally of the US and is generally friendly to the Japanese and has been traditionally one of the stronger voices against Chinese naval activities in the South China Sea because of her island disputes in the Spratlys (of which the Philippines is a claimant). Malaysia,

another claimant to the disputed islands, has a former strongman leader, Mahathir Mohamed, who is a close admirer of Japanese economic development, enjoys his friendship with Japanese nationalist Shintaro Ishihara (both co-authored books on speaking up against the US) and instituted the "Look East" policy of learning from Japan. However, under Mahathir, Malaysia took a strong position against what it sees as neo-Western imperialism (especially US policies towards Israel and the Middle East), creating friction between her and the US (sometimes US allies such as Japan and Australia as well). Therefore, taken as a whole, ASEAN is rather balanced and neutral towards both China and Japan, with some members tilting towards either one of them on different issues.

Because of the disparate makeup of the organization, ASEAN is able to reconfigure a variety of Japanese and Chinese interests purely into its own interests through the bargaining and internal aggregation of interests within the organization. The end products of this give-and-take bargaining to come up with a common ASEAN position takes into consideration the sensitivities and interests of both Japan and China, making it suitable as a regional security buffer organization. In this manner, Japanese and Chinese interests, be it sea lane or air space access, Southeast Asian raw materials, or even territorial disputes, can be accommodated.

ASEAN as a Military Buffer Zone

However, this does not mean that ASEAN is only capable of being a passive player in the region, only reactive to Japanese and Chinese maneuvers. In terms of military issues, ASEAN is able to provide a reasonably sizable role in the region, even regarding the fact that the military budgets of both China

and Japan are set to become even more formidable. In March 2002, China announced that it was going to increase its military budget by 17.6 percent percent to 20 billion US dollars, which will dwarf the budget of the next comparable East Asian power Australia by almost 3 times.¹ Japan, the other dominant East Asian power, earmarked US\$40 billion (officially third in the world tally) for its defense spending in 2001, overshadowing Australia's defense budget by a factor of 5 times - nearly the entire combined budgets of countries in the region.

ASEAN, as it were, is being squeezed between two great powers.² If ASEAN states were to confront China or Japan individually, the inequity of such exchanges would be overwhelming. Individually, many ASEAN states (with the exception of perhaps Singapore and Malaysia) have seen their military capabilities decline considerably since the 1997 Asian Financial crisis, especially the hitherto Southeast Asian big brother of Indonesia.³ However, with strength in numbers and differentiation of roles, ASEAN as a whole can stand a better chance. Differentiation in strengths between different ASEAN members means that there is potential for them to participate in collective security. For example, Singapore is advanced in telecommunications technologies and early warning systems. In some areas of armaments, the CISCO industries of Singapore were, at one time, one of the world's largest producers of small

arms. She, however, lacks manpower for military projection. Manpower is something that Indonesia (maintains a 200,000 strong land force)⁴ and Vietnam (one of the world's largest standing armies) are abundant in.

There are also some little publicized military facts outside ASEAN, for example, Thailand is one of the few countries in the world to possess a helicopter carrier for power projection while the Philippines can claim ownership to one of the most prestigious officer cadet schools in the world. Taken together, these strengths can serve as a credible deterrence to any temptations by bigger regional powers to act irresponsibly. Simultaneously, the individual weaknesses of the ASEAN states is also sufficient to ward off any Japanese or Chinese fears of the organization becoming a military threat to harm their interests. As the organization matures, it may want to develop a collective defense mechanism to activate regional military cooperation when the interest of one state is transgressed, along the lines of NATO. Although this is far from realization and the organization remains loosely constituted, the already established individual links with the regional powers through Japan-ASEAN friendship treaties and free trade agreements or multilateral links with all of the regional powers like the ASEAN Regional Forum and the ASEAN-China Security Dialogue will serve as a starting point for ASEAN's role in mediating regional security.

¹ CICC (Taiwanese government website), "Beijing's Defense Spending Could Double by 2005: CIA Chief," <http://216.239.51.100/search?q=cache:N2PcEwYnI4IC:www.taipei.org/teco/cicc/news/english/e-03-21-02/e-03-21-02-1.htm+Japanese+defense+spending&hl=en&ie=UTF-8>

² People's Daily, "Japanese Government Approves Defense Buildup Plans," http://216.239.51.100/search?q=cache:M5jTtEYoW14C:english.peopledaily.com.cn/english/200012/25/eng20001225_58717.htm+Japanese+SDF+budget&hl=en&ie=UTF-8

³ Mark Lawson, "Might Budget Makes Australia a Big Spender in Financial Review," *AFR*, November 16, 2002, <http://afr.com/specialreports/report1/2002/07/04/FFXSQOO123D.html>. Singapore which allocates 25 percent of its military expenditure on the military. (Lawson, <http://afr.com>) In addition, Malaysia (almost similar in size in terms of population with Australia) is rapidly catching up with Australia in defense spending. For example, Malaysia intends to spend US\$3-4 billion for its military in the period 2002-2005. (Gershman, John, <http://pgoh.free.fr>)

⁴ Ibid.

Coping with a Muscular Japan

Ever since WWII, Japan has had a pacifist existence. Under Article 9 of Japan's Constitution, it "renounces war as a sovereign right of the nation and the threat or use of force." For many years, Japan concentrated on economic recovery and fast growth. However, she is now concentrating on augmenting her military contribution to the world. ASEAN views of a more muscular Japan are ambivalently tinged with awe, fear, support and caution. Perhaps, of particular concern to ASEAN is the advancement of Japanese military power in the agendas of anti-terrorism, anti-piracy and peacekeeping operations.

Anti-terrorism

Terrorism is now the call for a strengthened Japanese presence in the region and the world. The 2001 Antiterrorism law following 9-11 allowed Japan to send the Self-Defense Forces (SDF) to an area near an actual combat zone, in this case the Indian Ocean, to refuel to coalition ships as part of the military campaign against the Taliban in Afghanistan and provide relief for Afghan refugees. Ironically, part of the reason behind Japanese military rejuvenation is the foreign pressure (*gaiatsu*) imposed by recent US administrations. In the first Gulf War, Japan was criticized for giving too little too late. At that time, Japan was controlled by what many saw as a liberal-leaning weak coalition government. But in the recent Gulf War, things had changed. The Iraq law legislated following the US-led war in Iraq permits Japanese direct deployment in a foreign state. To steer clear of the postwar peace constitution, Japan introduced counter-

terrorism laws that allowed her to deploy 5 to 6 7,250-ton destroyers to the Gulf region in a bid to be more internationally involved in the conflict.⁵

The neo-conservative movement in power in the US as well as an increasingly confident Japan led by a right-leaning faction of the conservative Liberal Democrat Party (LDP) facilitated this deployment with the bill to dispatch the troops to the combat region on Christmas day. On 140 different occasions, within the one year period, the MSDF supplied a total of 234,000 kl of oil worth US\$70 million on Japanese tab.⁶ Although MSDF activities are limited to rear areas external to the combat zone, the refueling duties is a major support role to US and British combat operations. The ongoing fighting in Iraq complicates international peacekeeping operation as the SDF, if fired upon, would have to defend themselves. The law, however, presumes that SDF activities will be restricted to non-combat zones in sensitivity to constitutional and legal constraints. However, with Iraqi insurgents' attacks on the U.N. and Red Cross, the SDF may face direct fire and forced to respond, making combat and non-combat zones indistinguishable.

Japan's deployment of an Aegis destroyer to the Gulf represents a major step in Japan's growing confidence in its military role in the world. The frank admission by Chief Cabinet Secretary Yasuo Fukuda that this decision was made independently of the US is in fact more important than the actual deployment. Moreover, this assertion was backed up by Prime Minister Koizumi who reiterated that Japan could deploy its destroyers whenever it wants. Deployment of

⁵ The Aegis-equipped destroyer Kirishima left for the Gulf on December 16, 2002 and replaced the 5,050-ton Hiei destroyer already in the Gulf with petrol supplying duties. Before Iraq was occupied by the US, the Maritime Self-Defense Force (MSDF) sent two refueling ships and three destroyers to the Indian Ocean to supply petroleum to US and British naval ships. Japan's navy is regarded by many to be the second most advanced navy in the world after the US.

⁶ Keizo Nabeshima, "Japan Must Do its Part in War," *Japan Times Online*, December 2, 2002, www.japantimes.co.jp

Japanese forces will inevitably involve ASEAN countries. Southeast Asia was involved in an indirect manner when Japanese warships pass through ASEAN states on the way to the Gulf area. For example, a Japanese destroyer and a naval transport ship escorted heavy machinery from Thailand to Qatar.

Other than dealing with the presence of Japanese ships in the region, ASEAN also has to cope with the presence of Japanese peacekeeping troops in places including Southeast Asian countries. The deployment of Japanese troops overseas originated from a series of laws beginning in 1992. The PKO (peacekeeping operations) cooperation law, legislated in 1992, led the way for the SDF's role in United Nations (UN)

peacekeeping operations in Cambodia with the condition that such missions are only permitted under a state of ceasefire agreed

between warring parties. This condition arises from international law as UN peacekeeping efforts are limited under the United Nations 1992 International Peace Cooperation Law. Under this law, a ceasefire between warring parties is necessary before UN military personnel can step into the fray.

A hint of future Japanese proactive stance in multilateral military operations can also be discerned from their mindset change. On 19 Dec 2002, a prominent government advisory panel on defense under Yasushi Akashi (former UN undersecretary general and head of this panel) argued that Japan's involvement in international affairs was a "fundamental" duty.⁷ The panel also argued that Japan should

step out of any existing Japanese peacekeeping restrictions, citing Australia's successful example of intervention in East Timor as a case study for securing peace in the region (despite the fact that Australia's move was viewed angrily by some of its ASEAN neighbors including Indonesia in particular and the controversial Howard doctrine of Australia as the US's deputy in the region). At a high point in the immediate post-911 period, some Southeast Asian leaders like Prime Minister Mahathir even clumped the US and her allies like Australia and Japan together, criticizing the travel alerts issued to their citizens traveling to Southeast Asia. The crux of the issue here, perhaps, is the level of interventionism that is perceptually

permissible in the East Asian region, especially by Japan's neighbors and ASEAN.

This is only the beginning of a more muscular Japan although it is likely the Japan will operate within perimeters defined by the US-Japan Security Treaty for the foreseeable future. If Japan's military activity, for any reason, turns out to be a little more than what is comfortable for the region, ASEAN has a precedent to fall back on. Australia's self-proclaimed role as the US's deputy sheriff in the region announced in 1999 entrenched in a government White Paper released in 2000 calling for a military interventionist doctrine drew flak from her neighbors who accused Australia of being arrogant.⁸ This subsequently led to greater clarification of the position from Australian government and sympathetic voices amongst the Australian

“ **DEPLOYMENT OF JAPANESE FORCES WILL INEVITABLY INVOLVE ASEAN COUNTRIES.** ”

⁷ The Japan Times, "SDF Should be Able to Join Peace Operations More Readily: Panel," December 19, 2002, *Japan Times Online*, www.japantimes.co.jp

⁸ James Conachy, "US-Australian Military Exercise Rehearses for Gunboat Diplomacy in the Pacific," November 14, 2002, <http://216.239.51.100/search?q=cache:zaJbnKouTbQC:www.wsws.org/articles/2001/may2001/mil-m10.shtml+Australian+US+sheriff++&hl=en&ie=UTF-8> and Mike Head, "Australian Government Unveils New Interventionist Doctrine," December 16, 2000, http://www.wsws.org/articles/2000/dec2000/mili-d16_prn.shtml

opposition and members of the public for greater restraint.

In the same way, if the Japanese military role in the region is perceived to be counter-productive, the same pressures can be applied, especially since Southeast Asia serves as a resource base for Japanese companies and is an attractive export destination (500 million people strong) contributing to Japan's export drive out of recession recently. Looking back to recent history for specific Southeast Asian pressures (*gaiatsu*) on Japan, the outbreak of strong anti-Japanese sentiments in ASEAN capitals in the mid-1970s had also produced similar pressures on Japanese foreign policy, strong enough to bring about the 1976 Fukuda doctrine. The doctrine preached closer cultural and educational links with ASEAN countries, including the establishment of Japanese studies departments in ASEAN universities.

Coping with a Rising Dragon - The Emergence of China

Symbolically, China's emergence is seen as an opportunity, a challenge and a threat to different people in various quarters, depending on what their interests are. The glimmering development of China in its ability to launch a man into space, operate the world's first Maglev, operationalize the initial generators in the world's largest hydroelectric dam, host Olympics and Miss World, enter WTO - all taking place at about the same period of time are highly impressive to many in East Asia. While most East Asians see Chinese development as a positive sign, a minority view (including some Japanese and Southeast Asians) sometimes regards these achievements as having military potential, especially when it

comes to China's space program, and worry about its impact on regional security.

The emergence of Chinese economic, political and military strength is contributive to the current policies found in many countries of accommodating the rise of China rather than countering it and ASEAN is no exception. Many are also aware of China's complex and wide array of domestic issues that need to be resolved such as income disparity, corruption issues, state-owned enterprises, western China development, SARS, etc. Most would still want to see a stable China as they believe that it is in the region's best interest for that to happen. Through WTO, multilateral and bilateral engagements, China has begun to do its part in trying to allay East Asian fears over its rise, given the historical dominance that China had over the rest of East Asia throughout history.

Because of China's size, history and economic potential, ASEAN's relationship with China is rather different from ASEAN's working relationship with Japan. While China is seen as more or less an autonomous singular entity, ASEAN perceives Japan as being embedded within the complex network of regional US defense alliances. Collectively, the US Pacific Fleet and its staunch allies in Australia (hosting US forces at Shoalwater Bay and coordinated exercises like Tandem Thrust), Singapore, Thailand (Cobra Gold) and the Philippines may be depended upon by ASEAN to limit the Chinese navy's reach. China, on the other hand, does not enjoy the far-flung, wide-ranging network that Japan enjoys within the US orbit. Within the ASEAN region, China has a major ally in the form of the military regime in Myanmar and is a major arms exporter there.⁹ There are reports that

⁹ Tai Wei Lim, "Analysis of China's Strategic Power," *Globalsecurity.org*, December 2002, www.globalsecurity.org

Myanmar is also hosting some Chinese military installations as well in exchange for close Chinese friendship. However, this is a comparatively minor alliance within the whole Southeast Asian security rubric.

While this may seem unfair to the Chinese and may even make ASEAN an indirect accomplice to a US containment strategy towards China in the Asia-Pacific, China enjoys the advantage of being perceived as an independent power relatively free from superpower influence. When there are ill-feelings towards the US, for example in the War on Iraq, some Islamic states in ASEAN may associate Japanese interests with the US. Similarly, in economic issues like the proposed Asian Monetary Fund during the height of the 1997 Asian Financial Crisis, some ASEAN states associated the Japanese position with that of the US in her reluctance to set up the Fund or to exclude the US from it. China, on the other hand, is relatively unencumbered by such perceptions and is seen to be more autonomous comparatively.

Thus, China may then enjoy her position as a more clarified and independent entity when it comes to regional cooperation involving ASEAN. She is also fast becoming an alternative to turn to whenever there are ASEAN positions that do not coincide with US interests, especially for its newer socialist CLMV (Cambodia, Laos, Myanmar and Vietnam) members or its Islamic-majority members (Indonesia, Malaysia and Brunei). Its role as an independent working partner for ASEAN comes across very clearly in regional economic cooperation. In the economic sphere, the Chinese have

negotiated a free trade agreement (FTA) with ASEAN countries – a highly welcomed initiative since China is perceived by ASEAN as sucking away external investments destined for the latter - a region still recovering from the 1997 financial economic crisis. Such economic ties will increase interactions within the region and possibly enhance China's leadership role in the regional economy as well. In other non-traditional regional security areas, China is also working with ASEAN to make the region safe. Some are highlighted below.

Security cooperation

The security aspects of the ASEAN-China relationship have expanded to non-traditional fields like counter-terrorism after 9-11. ASEAN and China have jointly approached the issue of terrorism which was previously regarded as an individual burden of countries in the region e.g.

“ **CHINA ENJOYS THE ADVANTAGE OF BEING PERCEIVED AS AN INDEPENDENT POWER RELATIVELY FREE FROM SUPERPOWER INFLUENCE.** ”

the joint declaration of counter terrorism in the “10 plus 3” meeting in 2001.¹⁰ In terms of island disputes and the management of offshore oil under the East Asian continental shelf, China also participated in the ASEAN+1 (China) meeting in 2000 to work with ASEAN to draw up a regional code of conduct in the South China Seas around the disputed Spratlys Island.¹¹ ASEAN countries seemed to agree on the approach to manage China by engagement through rule-based institutions such as ASEAN Regional Forum (ARF) and the ASEAN Post Ministerial Conference (PMC), to ensure that China becomes a responsible member of the region.¹²

¹⁰ Tai Wei Lim, “ASEAN-China Dialogue A Summary Report,” *Singapore Institute of International Affairs*, April 16, 2002, www.siaonline.org

¹¹ *Ibid.*

¹² *Ibid.*

Economic Cooperation

In the economic sphere, bilateral trade between the respective ASEAN countries and China has improved considerably. Trade between the original members of ASEAN, namely Malaysia, Indonesia, the Philippines, Thailand and Singapore and China expands almost 15 percent yearly.¹³ During the ASEAN China Dialogue “The Challenges of Cooperation” (15-16 April 2002), it was revealed that in numerical terms, Sino-ASEAN trade had jumped tremendously from US\$7.1 billion in 1990 to almost US\$29.6 billion in the year 2000.¹⁴ Capital and cross-regional investments between ASEAN and China have also accelerated with ASEAN’s Foreign Direct Investment (FDI) in China growing by 57 percent each year in one decade between 1990 and 2000.¹⁵ Simultaneously, China’s investments in the region have also increased tremendously. Specific niche industries in ASEAN like tourism have benefited greatly from the increased economic ties between the two countries. In the year 2000, Chinese travelers became the region’s second largest source of tourists.¹⁶ Most importantly for ASEAN and perhaps the region, China can be a stabilizer of regional currencies by holding fast to its *renminbi* (Chinese *yuan*) peg, lessening the risk of a financial crisis in the region sparked off by currency fluctuations.

However, with greater Chinese economic prowess, there were also fears of Chinese competition overwhelming ASEAN’s industries. China is taking in 50 percent of foreign FDI to the East Asian region as opposed to ASEAN’s 20 percent (figures exclude Japan).¹⁷ Though the challenges posed by China’s economy to the

region may be real, China may not become the only hegemonic production base in the region or the world (the so-called “World Factory” argument). Southeast Asia’s resource-processing and raw materials industries may be able to complement the Chinese economy. Besides overall ASEAN trade, China is also targeting specific ASEAN countries in its drive for economic cooperation with the region. This includes looking at increasing economic cooperation in the greater Mekong sub-region (Yunnan, Myanmar, Laos, Thailand, Cambodia and Vietnam). At this moment, China is intensely involved in the quadrilateral cooperation (Thailand, Laos, South China and Myanmar), promoting river trade and constructing physical roads from South China to Thailand via Myanmar and Laos (known as North-South Axis).

Most significantly, however, is an open Chinese market that will make it easier for ASEAN manufactured products to reach the burgeoning Chinese middle class as China seeks to increase her consumption of goods produced by regional countries. Existing cooperation between ASEAN and China looks set to grow if the ASEAN-China Free Trade Area (ACFTA) is implemented. In the same ASEAN-China Dialogue “The Challenges of Cooperation” (15-16 April 2002), it was estimated that ASEAN’s exports to China would grow by 48 percent and China’s exports to ASEAN by 55 percent or by 0.9 percent (for ASEAN) and 0.3 percent (for China) per year.¹⁸ The ACFTA will cover a 1.7 billion people market, gross domestic product of almost US\$2 trillion (S\$3.7 trillion) and bilateral trade of US\$1.23 trillion.¹⁹ If implemented, the ACFTA can help to cushion the fallout in the

¹³ Ibid.

¹⁴ Ibid.

¹⁵ Ibid.

¹⁶ Ibid.

¹⁷ Ibid.

¹⁸ Ibid.

¹⁹ Ibid.

region from China's growing economy by allowing ASEAN countries to have a useful head start in exporting goods to China.

Non-traditional Security

Economic Rivalry

The World Trade Organization (WTO) is not the only vehicle that can ensure regional economic security. Regional and bilateral free trade agreements (FTAs) are other devices that ASEAN can utilize as institutions for enhancing rule-based regional trade and commerce. On the economic front, there is perception in some quarters that Japan is losing its polish as the economic leader of East Asia. Within East Asia, she has only so far concluded a Free Trade Agreement (FTA) with Singapore, a country without agricultural industries to complicate such negotiations. There is some basis for disappointment with Japan's free trade initiatives. Japan's widely anticipated and closely-watched FTA deal with Mexico fell through, diminishing hopes for FTAs with regional ASEAN powers such as Thailand and Indonesia, two countries with formidable agricultural resources.

China and Regional Free Trade

In contrast, China has revved up her engine for a comprehensive FTA with ASEAN within ten years with negotiations already started. The former even proposed a scheduled mechanism that gives advantages to ASEAN countries by granting favorable export conditions for their exports to China for a few years before full implementation of the ASEAN-China FTA. With little fanfare, China has quietly become the largest export

market for Singapore, South Korea and Taiwan almost at the same time while it is the second largest market for Japan and third largest for the Philippines, Malaysia and Thailand. Her economic clout is growing at an enormous pace in Southeast Asia. Meanwhile, China is seen to be the shining star of East Asia with her tourism potential as well as demand for raw materials stimulating Southeast Asian economies.

Japan and Regional Economic Cooperation

Some seasoned watchers and diplomats would even go to the extent of arguing that Japan had wasted her chances at displaying regional economic leadership and put forward the perception that Japan is now led by Chinese initiatives.²⁰

“ JAPAN HAS HAD MORE SUCCESS AT LESS AMBITIOUS BILATERAL ECONOMIC AGREEMENTS. ”

Japan's perceived weakness in economic diplomacy is contrasted against her large economy (still world's second largest) and the vast array of technologies and management skills she offers for ASEAN. In 1997, during the last Asian financial crisis, an event which somewhat affected her image as the economic leader in the region, Japan actually pledged US\$80 billion fund to help Southeast Asian economics. On its side, ASEAN is careful not to veer excessively towards China and, thus, has accepted Japanese offer to foster security and friendship ties.²¹ In December 2003, the ASEAN leaders congregated in Tokyo for a summit to strengthen non-economic (including military) ties.²²

Japan has had more success at less ambitious bilateral economic agreements. A case study of the JSEPA (Japan-Singapore Economic Partnership Agreement) is demonstrative of this. The successful

²⁰ Weng Kin Kwan, "China's Star Rises. . . Japan's Star Sets," *Straits Times Online*, November 2003, straittimes.asia1.com.sg

²¹ Weng Kin Kwan, "Japan Set to Strengthen ASEAN Ties," *Straits Times Online*, November 2003, straittimes.asia1.com.sg.

²² *Ibid.*

142 *ASEAN's Role and its Management of the Sino-Japanese Rivalry*

Southeast Asia

conclusion of the JSEPA was announced in Shanghai on 20 Oct 2001 by the leaders of both Japan and Singapore.²³ The purpose of the JSEPA is to enlarge the size of both countries' markets, institutionalize the policy reforms in both countries and expand free trade between them. The areas of policy reforms include freeing up bureaucratic procedures for movement of goods, services and people through electronic systems for customs clearance and standardization, product testing and certification.²⁴ To allay any fears of non-participating countries to the JSEPA, the Prime Ministers of both Japan and Singapore affirm that the JSEPA rules will be consistent with any WTO multilateral rules and with ASEAN Free Trade Area (AFTA) domestic contents rule.²⁵

Besides free trade, JSEPA initiatives also target the Information and Communications Technologies (ICT) industry, promoting the mutual recognition of skills standards of Infocomm project managers in Singapore and Japan through skills certification and enhanced security measures in e-commerce through cross-recognition of data protection models.²⁶ At the government levels, both governments will work with each other to promote the development of e-Governments. Other sectors that the JSEPA will liberalize include human capital management, financial services, tourism, media/broadcasting and development of SMEs. These sectors can be promoted through a joint sharing of databases for these industries between the trade agencies of both countries.

In terms of human capital management, both countries will co-develop startup incubators and research manpower in life

sciences, aided by a stronger framework to protect intellectual property rights. Other than developing human capital between both countries in high tech industries, they will also co-provide training to other developing countries. In addition to benefits between two states, the JSEPA also benefits regions within Japan. In pursuant to the JSEPA, Singapore's Productivity and Standards Board (PSB) and Kumamoto (a city in the Southern part of Japan) signed a MOU to increase their trade relationship.²⁷ Kumamoto has been identified by Singapore as a hub for Singaporean companies to invest in the Kyushu region where Kumamoto contributes USD46 billion to Japan's GDP and about 10 percent of the GDP of Kyushu island while Kumamoto intends to use Singapore a springboard for Kumamoto companies that want to do business in Southeast Asia through Singapore's business contacts and knowledge database.²⁸

In conclusion, it is the mutual interests between the two countries that had propelled ratification of the JSEPA. For Japan, the signing of the JSEPA would be the first policy precedent in bilateral trade agreement. Besides mutual benefits for Japan and Singapore, the JSEPA will also benefit other countries in the region, especially for ASEAN as the JSEPA will help lock in Japan's economic engagement in Southeast Asia for the long term. It may also stimulate other Free Trade Agreements (FTAs) between Japan and other ASEAN countries, and serve to engender regional and global trade and investment liberalization efforts. Japan is likely to extend such agreements to other ASEAN countries in a way to

²³ Tai Wei Lim, "Japan-Singapore Economic Partnership Agreement (JSEPA)," *Singapore Institute of International Affairs*, www.siaaonline.org/article/JSEPA%20500%20words.doc

²⁴ Ibid.

²⁵ Ibid.

²⁶ Ibid.

²⁷ Ibid.

²⁸ Ibid.

circumvent its difficulties with bilateral FTAs due to a strong domestic farm lobby and traditional bureaucratic resistance to liberalization.

The Issue of Piracy

Outside military issues, coastal security has also been a focus for both China and Japan, especially in the vital but what is perceived to be the inadequately policed sea-lanes of the Straits of Malacca. Because Japan lacks oil, it has to import oil mainly from the Middle East and this oil inevitably has to pass through the Straits of Malacca. With a greater desire to bolster ASEAN (Association of Southeast Asian Nations)'s efforts in combating piracy within their own territory, Japan announced its intentions to send Coast Guard vessels to Southeast Asia to conduct joint patrol exercises with ASEAN nations.

In an effort to beef up their already formidable coast guard and naval presence, Japan is integrating its Coast Guard into the Maritime Self-Defense Force.²⁹ The new Japanese naval posture includes piracy in its purview. To add strength to their new attitudes towards piracy, the Japanese Coast Guard has also dispatched coastal patrol vessels to Singapore to conduct bilateral exercises with the Singapore Coast Guard. Similarly, the Chinese navy has recently conducted exercises there to combat piracy and familiarize themselves with the waters in the Straits' sea-lanes that connects the South China Sea to the Indian Ocean.

Terrorism

Terrorism is a new focus in non-traditional security matters. Along with the greater involvement of China and Japan in

the fight against global terrorism, ASEAN is also beefing up its own terrorism deterrence to shake off the image of being soft on terrorism and to promote greater autonomy in handling terrorists in their own backyard in a bid to ward off interventionism by regional powers. While ASEAN's greater resolve does not exclude cooperation with either Japan or China in anti-terrorism cooperation, ASEAN also wants to draw limits on foreign participation in issues of terrorism within Southeast Asia.

The Bali bombing in Indonesia has awoken ASEAN to the dangers of terrorism in the region. The danger is further exacerbated by the large number of people (nearly 200) killed in Kuta beach, a popular resort beach in the famous tourist island of Bali. This has prompted ASEAN to rethink their strategies towards terrorism that has been seen as disparate and not far-reaching enough. The long-term solution to the problem of terrorism cannot rely only on war against terrorists. A sustainable long-term solution is needed to address the problem of terrorism and its seeds that sprouted the movement in the first place in Southeast Asia. These reasons that gave rise to terrorism can be summarized in two main areas – poverty and social ostracism.

Poor economic conditions breed radicalism that may foment terrorist causes. Economic problems are deep and would require substantial help to remedy it. The second problem is that of social ostracism. The terrorists, including the Al Qaeda sympathizers in the Philippines, are able to capitalize on the feelings of isolation from the general landscape in that country to get more recruits for their causes. As such, unless the Muslim minority in the South is

²⁹ Rodger Baker, "Japan, China Both Newly Ambitious in Asian Waters," *ABC News.com*, April 5, 2001, http://abcnews.go.com/sections/world/DailyNews/stratfor_000602.html

144 *ASEAN's Role and its Management of the Sino-Japanese Rivalry*

Southeast Asia

reintegrated back into the national orbit, the problem may worsen. Though some compromises were made on the part of the Filipino government to offer amnesty to the rebels but, with the subsequent terrorists acts the kidnapping of Germans tourists, these efforts were stalled.

The quest to tackle terrorism may be momentous for each individual country in Southeast Asia but, collectively, they may be able to work towards a solution. ASEAN (Association of Southeast Asian Nations) must work together to prevent further proliferation of terrorism in the region. For example, Singapore initiated proposals to get tourist dollars back into the region again. The leadership in Singapore went down to the specifics of working together in projects that can boost confidence in the region. One of these projects could be in tourism where Southeast Asian nations can promote the diversity of the region to attract tourists back again.

One of the worst outcomes of the terrorist label were the travel advisories issued by advanced nations for their citizens intending to visit Southeast Asia. Besides affecting one of the most important industries in the region, tourism, these travel advisories can similarly deter international investors from coming into the region. To fend off this negative development, a new tourism agreement took effect between ASEAN countries to introduce a coordinated approach in introducing smoother visa processing, more comprehensive upgrade of tourism sites, faster and less bureaucratic air services, lower travel taxes and the co-promotion of Southeast Asia as a travel destination. Through such initiatives, perhaps the badly needed foreign currencies can come back to the region again.

The call for ASEAN unity seems to have

emanated strongly from all regional leaders, fearful that the bombing might give the wrong impression to international investors that the region is a hotbed for terrorists. The ASEAN region may run into being labeled as that with a string of incidents such as the kidnappings in the Philippines, arrests of cell members in Malaysia and Singapore, insurgencies in Mindanao and other Southern Philippines territories, crowned by the highly destructive bomb blast in Bali. While post-Bali bombing has created a greater awareness of the threat of terrorism, more needs to be done as the recent jailbreak of the top terrorist suspect in the Philippines as well as the Marriott bombing indicate. ASEAN is determined to show greater resolve in

“
**THE CALL FOR ASEAN UNITY
 SEEMS TO HAVE EMANATED
 STRONGLY FROM ALL
 REGIONAL LEADERS**
 ”

handling issues of terrorism and, for now, the outbound markers on regional cooperation with non-ASEAN partners permits cooperation with all regional powers including Japan and

China to instill greater confidence in bringing tourists back to Southeast Asia but disallows unilateral attempts at preemptive intervention in ASEAN territory such as that advanced by Australia's Howard doctrine.

Conclusion

Overall, some of Japan's neighbors (including ASEAN) may feel the jitters over Japanese remilitarization and growing confidence in international affairs. This is coupled with the popularity of hawkish politicians like Tokyo Governor Shintaro Ishihara who periodically makes remarks on Japanese nationalism during WWII or arguing for stronger postures against Japan's neighbors, namely China and the Koreas and a tendency to blame foreigners (including other Asians) for the rise of crime in Japan. Other reasons cited by observers for Japanese shift towards stronger

militarization are the loss of economic direction after the collapse of Japan's bubble economy in the late 1980s and a dilemma between accommodationist and confrontational attitudes towards China's emergence as an economic power in the region.

Japanese efforts at multilateralism may also contribute a more balanced security situation in East Asia. Although many see Japan's intentions to deepen defense ties with the Association of Southeast Asian Nations (ASEAN) as a challenge to China's own efforts to draw closer to Southeast Asia, it simultaneously represents the Japanese intention to engage regional organizations in defense matters. It is this form of multifaceted, multilayered complex interlinks between states in the region that will draw East Asian closer together in a delicate security interdependence, perhaps the precursor that will foster greater security in the region, much like the European situation.

Finally, East Asia's war apology issues with Japan are losing its tenacity in the region, outside the sporadic protestations over remarks by certain rightwing quarters in Japan. This may also facilitate Japan's position in the region not just as an economic leader but also a military power, something that its highly advanced defense forces and sizable military budget is capable of offering. This can be seen in Japan's decision to deploy planes to Cambodian crisis to withdraw her nationals during the Cambodian crisis, the deployment of troops overseas and her increasing desire to get into security arrangements with ASEAN.

As for China, while acknowledging China as a traditional regional military power

in the region, the focus is shifting to China as a regional economic power, a second engine of growth in addition to Japan who has fuelled much of Southeast Asia's postwar growth in East Asia. This new construct of an economically vibrant China complements the ASEAN's treatment of Japan as a defense partner. In other words, Japan is no longer seen only through economic terms while Chinese power is no longer solely conceived in military terms. If managed well, ASEAN could find a partner in both military and economic aspects in both China and Japan. To achieve this, ASEAN needs to ensure neutrality in managing these two powers without giving them the impression that it leans on one more than the other.

This buffer neutrality performed by the organization can contribute to peace in the region. It may even play bigger roles in mediating other non-ASEAN related political disputes, such as serving as a dialogue facility for the North Korea nuclear issue as it has done in the past. As ASEAN derive benefits from managing the two powers and also serving as a neutral zone for both of them, it also has to be proactive in ensuring that any interventionist tendencies on the part of Japan or China must be carefully monitored. In this way, moves to create spheres of influence within ASEAN to the detriment of other great powers should be countered readily. In other words, ASEAN should not play the regional power game subjectively in order to serve as a neutral region in East Asia. For now, its simultaneous economic and military partnerships with both China and Japan serve this purpose well.