

## Japan Vies With China for Dominance in Indochina and ASEAN

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Amid intensifying rivalry between Tokyo and Beijing over influence in Asia, Japan is revving up its drive to strengthen relations with countries in Indochina, an economically backward but geopolitically important part of the region.

The target countries are Cambodia, Laos and Vietnam, which are collectively referred to as the "CLV" countries. To be sure, these countries are all relatively small in terms of economic size and represent a tiny fraction of East Asia's economy.



Their combined gross domestic product (GDP) was only about US\$62 billion in 2005, with Vietnam, the biggest of the three, accounting for about 85% of the total, with \$52.8 billion. The combined GDP of Japan, mainland China, South Korea, Hong Kong, Taiwan and the 10-member Association of Southeast Asian Nations (ASEAN) totaled nearly \$9 trillion in 2005.

But their location, with China and India, the world's two most populous countries, looming over them has made the CLV nations much more important for Japan's Asia policy than their economic figures suggest. In addition, for countries outside ASEAN such as Japan and China, assistance in the development of the CLV nations, the least developed of the ASEAN nations along with Myanmar, has become an increasingly important avenue to strengthened ties with the entire ASEAN and thereby their clout in the region. ASEAN groups Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam and has a combined population of some 530 million.

Last week, Japan invited Laotian Prime Minister Bouasone Bouphavane. During his four-day trip, Bouasone met with Prime Minister Shinzo Abe and other Japanese officials to discuss bilateral relations and regional and global issues. Bouasone also had an audience with Emperor Akihito. For Laos as well as Cambodia and Vietnam, Japan is by far the biggest aid donor.



Prime Ministers Abe (right) and Bouasone

Among other things, Abe and Bouasone agreed to accelerate negotiations on an investment treaty between the two countries to conclude it at an early date, according to their joint press statement. The treaty is aimed at encouraging Japanese investment in the landlocked nation.

The two leaders also emphasized the importance of an enhanced integration of the Laotian economy into the world economy. Abe expressed his support of Laos' accession to the World Trade Organization (WTO). Cambodia and Vietnam already joined the WTO, in October 2004 and in January this year, respectively.

In addition to bilateral relations, Abe and Bouasone discussed regional and global issues, including the issue of North Korea's nuclear program and Laos' accession to the International Whaling Commission (IWC). Laos has diplomatic ties with North Korea, while Japan does not. Japan wants Laos to use its relations with Pyongyang to help resolve the issues of the reclusive Stalinist state's past abductions of Japanese citizens as well as its nuclear ambitions.

At the IWC, Japan is leading the pro-whaling camp, calling for the lifting of a moratorium on commercial whaling. Abe told Bouasone that he welcomes his country's decision to join the IWC and looks forward to cooperating with Laos at the IWC. But Bouasone did not make it clear which side his nation will take - pro-whaling or

anti-whaling.

On Friday, the day after Bouasone left Tokyo, Japan announced that Cambodian Prime Minister Hun Sen would make a four-day visit to Japan starting on June 13. During the visit, the countries are expected to sign an investment treaty aimed at encouraging Japanese investments in Cambodia. Japan has signed such treaties with 11 countries, including China, Russia and South Korea.



Hun Sen (right) and former Prime Minister Koizumi Junichiro in a 2002 meeting

In November, Vietnamese President Nguyen Minh Triet is scheduled to pay a visit to Japan. Last October, Vietnamese Prime Minister Nguyen Tan Dung also came to Tokyo as the first official foreign guest invited by the government of Abe, who took office in September. The leaders issued a statement calling for a "strategic partnership" for peace and prosperity in Asia.

### Tug-of-war

Amid growing talk of creating an East Asian Community in recent years, Japan and China have been jockeying for the leadership role in what will be the long and arduous process of community-building. The two Asian powers have competed for stronger and closer ties with ASEAN. Although the 10 ASEAN members are much smaller than Japan and China in economic size individually, they wield a strong voice in East Asian affairs as a group.

As East Asia began to move toward greater regional economic integration several years ago, China had a head start over Japan in strengthening ties with ASEAN by signing a free-trade agreement (FTA). The Sino-ASEAN FTA took effect in July 2005. Japan and ASEAN are still negotiating an FTA, although they are expected to ink the deal this year.

Two-way trade between China and ASEAN has been growing at a much faster pace than that between Japan and ASEAN. China's investment in ASEAN is also surging sharply, although the amount is still dwarfed by Japan's investment in the grouping.

China has taken a lead over Japan on the political front as well. China signed ASEAN's 1976 Treaty of Amity and Cooperation in October 2003, a few months before Japan did. Japan initially balked at signing the ASEAN treaty, which provides for, among other things, peaceful settlement of

conflicts and non-interference in internal affairs, out of political consideration to its most important ally, the United States.

In 2001, China signed a "Declaration of Conduct" with ASEAN to prevent conflicts in the South China Sea, where China, four of the ASEAN members - Vietnam, the Philippines, Malaysia and Brunei - and Taiwan claim all or part of the Spratly Islands. In March 2005, China agreed with Vietnam and the Philippines to explore for oil in the disputed waters.

These aggressive Chinese peace overtures toward ASEAN apparently reflect a desire to assuage the perception of China among some in ASEAN as the most serious security threat to their countries and thereby to forge closer ties with the grouping. Cementing ties with ASEAN in general - and the joint oil-exploration agreement with Vietnam and the Philippines in particular - is also seen as part of efforts to preempt a possible US-led containment of China.



Leaders at the China-ASEAN Summit, Kuala Lumpur, Dec 5, 2005

The Sino-Japanese tug-of-war over greater influence in Southeast Asia has also opened a new front - the Mekong River basin. Moves by Japan and China to help the development of the Mekong River basin have intensified in recent years.

The 4,425-kilometer Mekong River originates in Tibet and flows through China's Yunnan province, Myanmar, Thailand, Laos, Cambodia and Vietnam into the South China Sea. It is the main artery for Indochina. The Mekong basin, abundant in natural and human resources, has attracted much attention as an untapped frontier for development since the early 1990s, after an end to the civil war in Cambodia and other Cold War hostilities in the region.

The Mekong region is increasingly seen by many Japanese and Chinese companies as a promising investment destination. But for Japan and China, assistance in the development of the Mekong region has also become a very important avenue to strengthened ties with the entire ASEAN.

For ASEAN, correcting the so-called "ASEAN divide" - the huge gap in wealth between rich and poor members - is a high priority as the grouping accelerates its economic integration with an ultimate goal of creating a fully integrated ASEAN Economic Community by 2015. Per capita income of Myanmar, for example, is less than one-hundredth of that of

Singapore. The Mekong River's development is widely believed to hold the key to the development of war-battered Indochina as a whole.

In the early 1990s, after years of civil war ended in Cambodia, Japan took the leadership role in efforts to develop the Mekong region, backed by its huge aid money, and secured a strong influence in the region. Japan also hosted an international peace conference for Cambodia in June 1990. It was the first time since the end of World War II that Japan had hosted an international conference to discuss peace in a third country. The warring factions in Cambodia signed a peace agreement in Paris in October the following year.

In 1992, Japan enacted a historic law enabling its Self-Defense Forces to participate in United Nations-sponsored peacekeeping operations abroad. Under the law, SDF troops were dispatched to join UN peacekeeping efforts in Cambodia prior to the country's first postwar election in the spring of 1993. It marked the first overseas mission for SDF troops. Sending troops abroad had previously been a taboo in Japan because of the country's war-renouncing, post-World War II constitution.

With the turn of the millennium, however, China began to turn the tables on Japan, while Japan rested on its laurels. China has aggressively

cozied up to individual ASEAN members, including in Indochina, as well as ASEAN as a whole in recent years. A greater commitment to the development of the Mekong region is part of such efforts. Unlike Vietnam, which has a relatively large economy, Cambodia, Laos and Myanmar have been heavily reliant on Thailand for economic growth. But Thailand's influence in Indochina has been eroded since the 1997-98 Asian economic crisis, and China has filled the gap.

Among other initiatives, China hosted the second summit of the Asian Development Bank (ADB)-sponsored Greater Mekong Subregion (GMS) Economic Cooperation program in Kunming, capital of China's Yunnan province, in July 2005. The GMS has Cambodia, Laos, Myanmar, Vietnam, Thailand and China as full members.

China has also offered financial and other assistance programs for the development of the GMS, has forgiven more than \$1 billion in debts owed by Cambodia to China, and has expanded preferential tariffs for imports from Cambodia, Laos and Myanmar. China has set up a special fund totaling \$20 million within the ADB for poverty alleviation of the region. China has also provided military as well as economic aid to Myanmar in defiance of international criticism of that military-ruled country.

It would be fair to note, though, that China has

attached a particular importance to the development of the Mekong region, primarily for domestic reasons. China hopes to turn the poorer western part of the vast country into a magnet for domestic and foreign investors and thereby to correct the widening gap in wealth with the flourishing eastern coastal areas, an issue that could threaten the country's political stability and even the rule of the Chinese Communist Party.

Japan has funded infrastructure projects transcending national borders in Indochina on its own or in partnership with the ADB. China has also stepped up financial assistance for the development of that region, flexing its rapidly growing economic muscles.

Two big highway projects crisscrossing Indochina are seen by many as a symbol of the intensifying race for regional influence between Japan and China. One is the East-West Corridor project, led by Japan, to build a major highway, including the Second Mekong Friendship Bridge over the river, to link the port of Da Nang in central Vietnam, Savannakhet in southern Laos, Mukdahan in northeastern Thailand and then Mawlamyine in southern Myanmar. This project was almost completed at the end of last year.



Second Mekong Friendship Bridge in construction

The other is the North-South Corridor project, led by China, to build a highway linking Kunming and Bangkok via Laos. This project is expected to be completed by the end of next year. Japan balked at funding the Chinese-led project, partly for fear of lending China a hand to increase its influence southward in Indochina.

Apparently alarmed by China's rapidly growing political as well as economic influence, then-prime minister Junichiro Koizumi of Japan held talks with his counterparts from the CLV nations in Vientiane, the capital of Laos, in November 2004 for the first ever Japan-CLV summit. The second Japan-CLV summit was held in December 2005 in Kuala Lumpur.

At a foreign ministerial meeting between Japan and the CLV nations in the Philippines in January, Tokyo conveyed to the CLV nations its plan to host a ministerial meeting of Japan and five countries in the Mekong region, including the CLV nations, during fiscal 2007, which started in April, to discuss further cooperation for the region's development. In their talks last

week, Abe also explained to Bouasone Japan's decision to make the Mekong region a priority target area for its economic assistance and expand aid for Laos and other regional countries over the next three years.

China remains by far the most powerful magnet for Japanese and other foreign investors in Asia. But Japanese companies have been on an investment spree in Vietnam as well in the past couple of years. Vietnam's economic size and population pale before China's. But the nation has even cheaper labor. Vietnam has become an increasingly popular investment destination for Japanese firms seeking to reduce their excessive dependence on China and spread their business risks in Asia.

The investment pact between Japan and Vietnam took effect in late 2004. Japan and Vietnam also kicked off FTA negotiations in January, separately from FTA negotiations between Japan and the entire ASEAN. Vietnam was also admitted to the WTO in January. WTO membership, which obliges Vietnam to open its markets wider to foreign competition and make its trade and investment rules and regulations fully compatible with international norms, is expected to fuel Japanese and other foreign investment in the country.

Meanwhile, Japan and Cambodia are expected to sign an investment treaty next month, and a

similar pact between Japan and Laos is also in the works. Investment treaties, coupled with the full opening of the East-West and North-South corridors to traffic, might give a boost to Japanese investment in Laos and Cambodia as well as Vietnam.

In his talks with Abe last week, Bouasone expressed "his strong wish and commitment to develop special economic zones in other areas besides Savannakhet to make full use of the Second Mekong Friendship Bridge and highways under the East-West Economic Corridor framework", according to their joint press statement. Many Japanese-funded companies in Thailand are becoming more interested in investing in neighboring Laos to take advantage of the closeness between the Thai and Lao languages - many Lao people can speak or read Thai - as well as much cheaper labor in Laos.

Meanwhile, with the construction of infrastructure such as roads and bridges and simplification of customs procedures progressing between China and Vietnam as well as within Indochina, international forwarders have begun to move to establish land transportation networks linking China and Southeast Asia. TNT of the Netherlands, for example, is preparing to complete a 4,000-kilometer-long truck transportation network from Singapore to China via Vietnam by the end of this year. Nippon Express Co, Japan's largest forwarder, also plans

to activate a 7,000km network linking the Chinese commercial hub of Shanghai and Singapore early next year.

### Japan's new tack

Amid an intensifying tug-of-war between Tokyo and Beijing over influence in Asia, Japan has taken a new tack recently to regain some of the ground lost to China.

Since his inauguration last September, Abe has advocated a more assertive foreign policy and further strengthening of the security alliance with the United States. He has also vowed to seek revisions of the postwar pacifist constitution to allow the nation to play a greater role in the international security arena, especially in step with the US.

In what is widely seen as a thinly veiled snub to China, among other countries, the Abe government has also been aggressively pursuing what it dubs "a value-oriented diplomacy", advocating strengthened relations with countries that share common values, such as freedom, democracy, market economy, respect for human rights and the rule of law. Abe has put particular emphasis on strengthened ties with India and Australia as well as with the US.

Foreign Minister Taro Aso also unveiled his "arc of freedom and prosperity" initiative last

November to enhance Japan's relations with emerging democracies in Asia and Europe and actively support their democratic and economic development. In a speech unveiling the initiative, Aso expressed a strong desire to build such an arch "around the outer rim of the Eurasian continent through diplomacy that emphasizes values".

"This region includes countries whose systems have been undergoing great changes now that the confrontation between the East and the West has ended," Aso said.

When Aso announced this initiative, the CLV countries drew particular attention because they were the first names he specifically mentioned as his target nations and regions. "Concretely speaking, what I have in mind right now is Cambodia, Laos and Vietnam, for example," he said.

In a speech titled "On the Arc of Freedom and Prosperity", delivered in March at a meeting of a Tokyo-based think-tank, Aso noted that while Abe and he visited Europe in January, he had his senior vice minister, Katsuhito Asano, attend the Japan-CLV foreign ministers' meeting in the Philippines.

To be sure, the CLV nations may be among what Aso said are "countries whose systems have been undergoing great changes" since the end of the



Cold War. But the CLV nations, especially Vietnam and Laos, still have a long way to go toward democratic reforms. Like China and North Korea, Vietnam and Laos are one-party states ruled by communist parties.

"Freedom in the World 2007", the latest of annual surveys of political rights and civil liberties released early this year by Freedom House, an independent freedom watchdog based in the US, gave the CLV nations dismal ratings. Ratings range from 1 (the most free) to 7 (the least free). Among the CLV nations, Laos received the worst ratings - 7 for political rights and 6 for civil liberties, the same ratings China received. Vietnam's scores were 7 for political rights and 5 for civil liberties and Cambodia's 6 for political rights and 5 for civil liberties.

Meanwhile, Myanmar was given the ratings of 7 for both political rights and civil liberties, the same ratings given to North Korea. Thailand, another neighbor of the CLV nations, also saw its ratings lowered to 7 for political rights and 4 for civil liberties, because of a military coup last year that ousted a democratically elected premier.

Last September, the United Nations Security Council voted 10-4, with one abstention, to add Myanmar to its formal agenda. China and Russia are among the four members that voted against the move. Japan, which served a two-year term as a non-permanent council member until the

end of last year, voted for the anti-Myanmar move.

Myanmar has been under strong pressure from the US and Europe over human rights and democracy. The country's military rulers have kept Nobel Peace Prize laureate and pro-democracy champion Aung San Suu Kyi under house arrest for much of the past two decades. Despite the decision last September, the UN has so far failed to take specific action against Myanmar. In January, China and Russia vetoed a US-drafted council resolution that would have demanded Myanmar's military regime end political repression.



Aung San Suu Kyi

Japan has long advocated a policy of "constructive engagement" with Myanmar, rather than isolating that country, to encourage progress on human rights and democracy. Japan's vote for the anti-Myanmar move at the UN signaled a significant departure from what the US and Europe have often grumbled was Tokyo's too soft a policy toward Myanmar. But such a policy shift may be inevitable if Japan, a self-proclaimed Asian champion of freedom and

democracy, is to match its words with deeds in pursuing its "value-oriented diplomacy".

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