

Japan and Southeast Asia (ASEAN)

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1. Introduction

After some turbulent decades the Japanese-Southeast Asian economic and political relations reached the stage where the parties could base their ties on mutual respect and interest. As the miraculous economy of the 1960s and 1970s, Japan has slipped back to the otherwise very enviable position of 'one of the leading industrial powers' and it has been compelled but also capable to build up a really working relationship with the most prominent emerging regional organization, the ASEAN. In order to mirror the situation of the parties it can be mentioned that Japan is the third largest economy in the world (with a GDP of USD 4,872 billion) while the combined strength of ASEAN is about USD 2,767 billion¹.

Still, the economic and especially production-based cooperation of the two sides cannot be called the collaboration of equals, although it is much more balanced than it used to be. Facing acute economic problems on the home front and lagging behind the USA and China, while racing with some other important competitors (the EU, some emerging markets like South Korea, India, etc.) Japan on the global scene has recognized that in order to stabilize its international position, it must further strengthen its economic and commercial partnership with the members of ASEAN, otherwise its standing among the main economies will further deteriorate. The time is ripe for such ties, as the members of ASEAN should also be eager to fend off the very heavy domination of China and also of the backtracking USA.

Mutual interests can prevail, but closer ties require some more understanding and modified behavior on the Japanese, and also more flexibility on the ASEAN side.

¹ On the World Bank list quoted the member states of ASEAN occupy the following places: Indonesia: 16; Thailand: 25; Singapore: 36; Malaysia: 37; the Philippines: 38; Vietnam: 45; Myanmar: 72; Cambodia: 107; Lao PDR: 116; Brunei Darussalam: 132 (World Bank, 2018).

This paper attempts to introduce and find the answers to some of the relevant issues of these bilateral ties.

2. The Background

2.1. Japan and Southeast Asia²

Until the mid-19th century, Japan not only closed its ports to foreigners but also cut itself off from the rest of the world. It cannot be said that historically Imperial Japan was not interested in its wider environment, but it rarely ventured too far from its core islands. One of the rare occasions when pre-Meiji Japan aspired to extend its territory and targeted Korea, but this proved to be a failure.³ All through the earlier centuries, the power-holders of Japan were aware of the outer world and mainly of the situation in East Asia. There are no indications that up till the modernization of the state in the second half of the 19th century, the Japanese—unlike the Chinese—made serious attempts to explore faraway territories and peoples. The successes of the First Sino-Japanese War (1895) and the Russian-Japanese War (1905) gave Japan the appetite for territorial growth in the form of colonization. The changes can be understood only if it is taken into consideration that in the second half of the 19th century Asian power relations had been radically changed mainly due to the arrival of the Americans and to the rise of the Empire as one of the foremost industrial and military powers of the continent. In no way defending Japanese imperialism but realistically interpreting the conditions required for the running of a modern economy, it was not surprising that the military leaders strived for expanding the boundaries of the Empire in order to acquire the necessary elements for further strengthening its political and military muscle.⁴ In the 1930s, we could already see the intervention of the Empire on the continent when China had been invaded, partially occupied and when Manchukuo was created.

² The historical phases of the Japan-Southeast Asia ties constantly constitute the subject of scholarly research. Instead of repeating even the most basic elements of this period, we turn our attention to the Japanese-ASEAN relations in general and, within this context, we refer to just a couple of factors that are rarely mentioned in scholarly literature but significantly contribute to the formation of these bilateral ties.

³ Toyotomi Hideyoshi carried out two military campaigns on the Korean peninsula between 1592 and 1598, but could not defeat the Chinese and Korean forces. After this there were no significant efforts made until the First Sino-Japanese War in the late 19th century to venture into farther areas.

⁴ Economic considerations played an important role in the implementation of Japanese imperialistic aims, and in addition to such thinking 'simple' great power aspirations and racial explanations can be also found among the innermost elements of Japan's foreign policy in the inter-war years. Naturally, nothing can justify the savage and inhuman crimes committed by the Japanese.

These events were followed by the occupation of the Southeast Asian colonies (of the European powers) after the outbreak of the Second World War in the Pacific (1941). That was the first time that Japan politically and militarily intervened in Southeast Asia and started to regard this region as vital for its own survival. The idea of incorporating this area into the Japanese sphere of influence had been worked out earlier, but its realization was made possible only with the general weakening and the expulsion of the former colonizers from Southeast Asia. The arrival of the Japanese was supplemented with the idea of the Greater East Asia Co-Prosperity Sphere.⁵ Tokyo tried to sell this idea as the facilitation of the liberation of the local dependent territories from colonial rule, but in reality the Japanese served local interests only as long as it served theirs. After its defeat, imperial Japan had to withdraw from the region.

This first encounter of Japan and the region led to interesting consequences. Some of the local anti-colonial (nationalistic) forces greeted the arrival of the Japanese and considered them as real liberators. In other parts of the region they were treated as enemies.⁶ Approaching the end of the war, the particular brutality in many fields, events turned even the less hostile local groups against Tokyo. When the war was over, the Japanese were openly rejected in the greater part of Southeast Asia.

On the political side, the close to total political subordination of Japan to the USA deserves our attention. For 3 to 5 decades, Tokyo fairly subserviently followed Washington's policy, including the latter's East and Southeast Asian commitments. Fortunately, Tokyo's constitutional barriers prevented Japan to get deeply—especially militarily—involved in the Indochinese events, but even so, it did not disengage itself from the policy line of the USA. It established close political relations with the anti-communist states of Southeast Asia and though it did not turn vehemently against North Vietnam, it showed restraint in developing its cooperation with Hanoi

⁵ The idea of the unification of territories under Japanese control was born by the late 1930s, when the creation of a Great East Asia (composed of Japan and the occupied or puppet Manchukuo and China) was on the agenda. However, from the beginning of the 1940s, the idea—already bearing the name of Greater Asia Co-Prosperity Sphere—was extended to the whole of Southeast Asia and to parts of the Indian peninsula.

⁶ For some time, in Indochina and in Indonesia, the Japanese were considered as partners in getting rid of the colonizing powers. ('The enemy of my enemy is my friend'.) In other parts of the region, especially where the local Chinese communities were stronger and the metropolitan power less hated, they were treated as enemies.

Regarding the changing perception of the Japanese, it is worthwhile to read the memoirs of Lee Kuan Yew, as his views reflect the thinking of many leaders of Southeast Asia (see: Li, 2003, p. 501). It must be added, however, that the common people, including the business partners of the Japanese, have gained less positive experiences in their dealings with the Japanese.

and the other two Indochinese countries (Laos and Cambodia). This 'political dwarf position'⁷ did not help to totally eliminate concerns about the colonial aspirations of Japan but helped to reduce its danger, and with the rise of the Chinese power, Japan ceased to be a real security threat to the region.

On the economic side, in addition to the well-known state of bilateral collaboration, there were a couple of elements that contributed to the fast reestablishment of economic and commercial ties between Japan and Southeast Asia. Before looking at these factors, it needs to be emphasized that despite of its crushing defeat, Japan could preserve its outstanding abilities that can explain the very rapid reconstruction of the Japanese economy. On the one hand, the traditional working ethic based on strict discipline, the hardworking and dedicated work-mentality of the Japanese and, on the other hand, the professional knowledge and experience gained through the previous decades did not disappear from Japan.⁸ Another stimulating factor was the cluster of agreements concluded between Tokyo and the local states after the termination of the Second World War. These agreements obliged Japan to pay compensations to most of the Southeast Asian countries, and Tokyo fulfilled this obligation through the deliveries of goods and FDI. In addition, more or less simultaneously with its (re)emergence, in Japan the government started to play a rather active, interventionist role (that can be compared today to the idea of 'developmental state'), and it was recognized fairly early that the country must get rid of the declining (mainly labor-intensive, less profitable, environment polluting, etc.) industries that can be relocated to the neighboring countries.

Considering the Japan-ASEAN relations, the period since the end of World War II can be divided into different parts. According to the periodization of the author of this study, the first one can be characterized by the attempts of Japan to have itself (re) accepted into the rather new community of Asian nations. After a short interval in the late 1940s and very early 1950s—when no real ties were upheld between Tokyo and the region—more specifically from the mid-1950s, significant changes occurred (Fairbank et al., 1973, pp. 854-855). This could be called the time of upheaval, when

⁷ At the time of the Cold War, (West-) Germany could be referred to as a similar 'economic giant and political dwarf'.

⁸ This remark requires further clarification. The acquisition of a high level of work ethic depends on the social and cultural conditions of human communities. The attainment of a certain level of industriousness and knowledge does not provide an ethical standard in itself but can be part of the explanation for the achievements in efficiency. Similar characteristics could be attributed also to the Germans after World War II, but that this comparison should not be squared with any kind of 'racial' assumption is proved by the successes of South Korea, Singapore and many other emerging communities.

Tokyo not only reestablished its relations with the newly independent non-communist states of the area but gradually approached the regional economic position of the USA. That was the era when Japan's FDI, reparations, aids poured into Southeast Asia and contributed to the stabilization and development of the countries concerned. However, this rapprochement period came to a halt by the time of the Japanese miracle, when Japan started to become the dominant economic power of Southeast Asia and local partners started to have second thoughts of the position of Tokyo. Then the situation was relatively precarious in the sense that Tokyo could supply the great bulk of consumer goods to the local states, offer production and service capabilities above the general level of the local partners (investments, industries, etc.), while apart from raw materials, the Southeast Asian actors could not counterbalance Japanese exports (Fairbank et al., 1973, p. 828). When referring to this era, local observers usually point at the Japanese economic penetration as a sign of selfish interests to exploit the resources of the area, recalling Tokyo's intentions from the past.⁹ Still, being very diplomatic, they rarely mention the subjective elements contributing to the hostile attitude of the Southeast Asian states and leaders to Japanese presence.¹⁰ The weakening of Japan and the emergence of China from the late 1980s and early 1990s, have changed the situation and opened a new era. As China started to replace Tokyo and push it back to the second place, the position of Japan changed once again. For some time it seemed to be a contender for a kind of equal competitive position with Beijing and showed some capability to preserve its value for the local states. However, this seemingly level playing race proved to be a short period for Japan, as both its internal economic difficulties (the disappearance of the signs of miracle) and the extremely rapid rise of China dissolved this illusion. The third period can be dated from the turn of the century. Since then Japan has still been one of the most important actors in Asia that can still show strength, even though it cannot compete with the PRC. Although Tokyo can still give a lot to the Southeast Asian countries, it

⁹ Naturally, it was true that Tokyo, just as all the other states or political actors, followed its own interest. This 'more selfish' period lasted till the weakening of its position as a would-be global political power and the future economic tsar of Asia. One of the best though condensed introduction to this situation is given by Lee Kuan Yew in Chapter 31 and 32 (Li, 2003). Although, Singapore and Yew's attitude cannot be generalized, his recollection of events and personalities provide an excellent account of the situation, as well as the Japanese and local interests and cooperation.

¹⁰ The author spent long periods in Southeast Asia and recalls from the 1970s and later years that the local people, including the decision-makers, viewed the Japanese with more misgivings than the otherwise also distrusted locals and Chinese coming from either the Mainland or Taiwan. Local communities considered the Japanese as arrogant, selfish and insensitive but it must be added that the cultural differences, the specific norms of behavior and not least the economic superiority and dominance significantly contributed to such feelings. Although the overseas Chinese who have been living in the region for centuries were also treated with distrust, at least they have learnt to be adaptive and were already well-known by the local people.

does not constitute a threat to them, either politically or economically. From Japan's perspective, it needs the region at least as much as the ASEAN members need Tokyo. The time has come when mutual interests can be served.

Table 1

Economic cooperation (net disbursements) (in millions of USD) (2017)

Country and region	Official Development Assistance (ODA)				
	Total	Grants	Grants-in-aid	Technical assistance	Development lending, etc.
Total value	6 939	7 839	4 781	3 058	-900
East Asia	29	982	287	695	-953
Cambodia	115	110	70	40	4,8
China	278	283	18	265	-5,2
Philippines	-284	61	14	48	-346
Vietnam	619	101	26	75	518
Malaysia	118	25	4,0	21	92
Myanmar	42	42	24	19	-
Laos	66	56	33	24	9,9

Source: Trade Statistics, Ministry of Finance, Japan

2.2. Southeast Asia and Japan

As indicated earlier, some of the Southeast Asian countries greeted the Japanese in the late 1930s and early 1940s as potential liberators, while others considered them more as rude enemy forces who brought more havoc to the region than prosperity. Still, those who favored the arrival of the Japanese, having realized that Tokyo did not care about their fate but followed its own interests, soon reconsidered the situation. Nevertheless, they still attempted to use the situation in their favor as long as they could, practically till the arrival (the return) of the metropolitan states. Later on Southeast Asia's colonies¹¹ gained their independence either more or less peacefully (like the British colonies) or through violent actions or wars (as Indonesia, Vietnam) but all of them seemed to be politically weak, economically under-developed and partially prevented from commencing an independent economic development. Besides the Indochinese countries that had got caught up in lengthy and devastating wars, the others also fell within the scope of the East-West crossfire and also seemed to be rather vulnerable. From a political perspective, however, being caught in the crossfire proved to be more a blessing than a curse for the local actors and also for Japan. As

¹¹ In the region only Siam (present-day Thailand) managed to escape colonization.

likely 'dominoes' they received proper attention from the Americans in the forms of political and military support and economic assistance, as well as through the encouragement of Tokyo to help these partners. On the other hand, these local actors welcomed Japan as a power which could be disregarded as a political foe or an imminent threat. In this respect Japan, just as the faraway European declining, middle and smaller states, was considered a desirable and acceptable partner.

If we analyze the political and economic elements combined, it can be stated that the local partners showed a high level of enthusiasm to welcome these Japanese approaches. They were as much receptive to such endeavors as the Japanese gradually realized the infinite usefulness of this process. (Though the following remark can be called an over-simplification in a general sense) it can be established that what Japan could not achieve through the use of arms, it seemingly almost managed to accomplish through a political and economic penetration. By the end of the 1970s, Tokyo was as much a(n economic) power-broker in this area than it had wished to become across the Greater East Asian Co-prosperity Sphere. Though Washington remained the foremost political and military ally of the Southeast Asian states and also one of the closest economic partners, sometimes it was difficult to see which external power took the driver's seat in the local economic machinery.

The states of the region got from Japan what they needed most: money, investments and not least the relocation of technologies (and industries) that could suit them the best. This period proved to be the time of great matching, when Tokyo could get rid of its unwanted (outdated, non-profitable, 'raw material stuffing') industries, while the local states tried to use the Japanese contribution for their economic stabilization and not least for their modernization. That was the classic period of the 'Flying geese' theory that in many respects correctly described the local situation.¹² It should not be a surprise to observers that the development state-kind economic policy followed by Japan was studied and—by different degrees—followed by the local countries. This explains how Singapore managed to join the first group of Newly Industrialized Countries (NICs), while Malaysia, Thailand, partially also the Philippines, and to a lesser degree, Indonesia joined the second tier.

¹² The author of this paper accepts the basic tenets of Kaname Akamatsu's 'Flying geese' theory and strongly supports many of its components. At the same time he is of the view that the situation and the conditions have drastically changed since the 1960s-1970s. In this respect the question is not whether Japan can be still considered the leading goose of the 'team'. While this question deserves further studies—and it is frequently done by economists—this paper lacks the space for wider analyses and comments.

Table 2

**Japan's outward FDI by country/region (Balance of payments basis, net and flow)
(USD million)**

Country and region	2000	2005	2011	2012	2013	2014	2015	2016	2017
Indonesia	585	1 185	3 611	3 810	3 907	4 835	3 213	2 957	3 388
Malaysia	- 4	524	1 441	1 308	1 265	1 293	2 918	1 394	935
Philippines	510	442	1 019	731	1 242	901	1 531	2 319	1 006
Singapore	- 1521	557	4 492	1 566	3 545	8 144	7 010	-18 581	9 677
Thailand	593	2 125	950	1 142	1 718	1 964	2 154	2 152	1 495
Viet Nam	39	153	1 859	2 570	3 266	1 652	1 446	1 672	2 001
China	1 552	1 730	4 492	1 566	3 545	8 144	7 010	-18 581	9 677
Korea, Rep.	977	1 690	2 439	3 996	3 296	3 196	1 593	1 626	1 700
U.S.A.	14121	12126	14 730	31 974	43 703	49 437	50 218	52 584	51 981
ASEAN	207	5 002	19 645	10 675	23 619	22 819	20 920	-5 340	22 011
EU	10 968	7 872	36 052	29 023	30 999	27 026	35 785	69 122	56 845

Source: Prepared by JETRO (2018) from "Balance of Payment Statistics" (Ministry of Finance, Bank of Japan) and "Foreign Exchange Rate" (Bank of Japan).

The Southeast Asian economies have been rather diverse and have different development capabilities and also different goals. Still, without exception, they felt the need of keeping Tokyo within their orbit and using it as long as it can be considered an asset. They expected different things from Japan, and all of them could get something. Singapore could be considered a high-tech partner but also a close collaborator in services (from monetary services in banking and finance to tourism), while the Indochinese states vied with each other for Japanese financial support and the creation of lower level industrial projects. (Vietnam represented a special case as it resembles more the semi-developed states of ASEAN than the two smaller neighbors (Laos and Cambodia)). It would not be correct to say that Japan had been either an unselfish initiator or the sole contributor to the fast development of Southeast Asia, but in any case, it was a very important, unavoidable partner.

The 1990s brought radical changes both in the situation of the local states (and ASEAN in itself) and of the bilateral (ASEAN-Japan) relations. The crises of the decade shook the self-confidence of these emerging states, showed their economic vulnerability and the need for stronger pillars both within the organization and in the wider environment. Though the emergence of China cannot be linked to the crises but the opening and development of the PRC supplemented the significant changes that contributed to the acceleration of some of the processes that have been determining the developments of the region, in general, and ASEAN-Japan ties, in particular. Among the several factors

that contributed to the significant alterations in these bilateral ties it was—first and foremost—the rise of ASEAN as a formidable political force and also its appearance as an independent actor in the security arena that must be taken into consideration.¹³ Second, in spite of the crises (in the 1990s and also in the first decade of the present century) ASEAN also showed itself as a significant economic partner. It would not be fair to say that the political (and security) gains of ASEAN can be attributed only to external changes (the termination of the Vietnam War and the Cold War, the more balanced great power balance; especially with the emergence of China; etc.), as ASEAN itself has become a more mature, respectfully cohesive entity. Not only its number has increased, but it could withstand outside efforts to interfere with its ‘internal’ (regional and national) affairs and became an ‘asset’ on its own right. Thanks to its sometimes low-key, but, in general, efficient regional foreign policy, for a relatively long time it succeeded in occupying a position from which it could control its relations with outside powers. In addition to its delicately balancing politics, it became the fastest developing market of the emerging regional states.¹⁴ Looking at the statistics, it can be seen that after China and India, ASEAN is the most populous political entity of our time (650 million people). Together the Ten has one of the largest GDP in the world (over USD 3,000 billion), it is the fourth largest trading actor, the 4th–5th largest beneficiary of FDI, and it is one of the fastest growing economies of the world with the incorporation of some of the most capable NICs (AEC Chartbook, 2017; Tables of Chapters 1 and 2). These two factors (the political and economic) combined made ASEAN a huge and solvent market, as well as a prospective collaborator, and this external ‘recognition’ allowed ASEAN to select its ‘close allies’¹⁵.

2.3. Bilateral Relations – Institutionalized

Simultaneously with the transformation of bilateral power relations (with the relative weakening of Japan’s position and the maturation of ASEAN), the parties started to lay a more solid ground for their cooperation. These states together with Tokyo from

¹³ None of the member states alone or the organization as a cooperative body have ever constituted a really global or continental military power. But at the regional level—at least at the turn of the last century and cleverly balancing among the great powers—it could command acceptance as a negotiating partner and respect as a party who can be used against ‘my enemy or contender’ by the external powers.

¹⁴ There have been a few other, much faster developing actors in the global market (China, India, and other examples can be mentioned), but as a regional grouping it surpassed all the other similar organizations and achieved better results.

¹⁵ For the celebration of its 50th anniversary ASEAN invited to its summit Australia, Canada, China, India, Japan, New Zealand, Russia, South Korea, USA, plus the EU as an integration but not its members. In a way these ‘partners’ considered it an honor to be invited.

the opening moves of China, exerted efforts to institutionalize their ties and create the framework and structure within which they could strengthen the legal and administrative, as well as the political bases of relations. The first high-level meetings in 1992 symbolized both the ability of the more and more self-conscious post-Cold War ASEAN to harmonize its internal position to speak with—more or less—one voice and the recognition by Tokyo that it had to accept the united front of the member states instead of the traditional separation of the local states.¹⁶ In the new situation it became also clear that ASEAN extended invitation to its partners (in addition to Japan, China and South-Korea and later on India, Australia and New Zealand were invited), initiated and hosted, guided and controlled the dialogues and not vice versa. The ASEAN versus other Asian actors gatherings did not make it forget the power deficiencies of the regional actors but conferred on the member states certain advantages.

After the first meeting a whole spectrum of cooperation programs and institutional venues were created. In the sphere of economic collaboration the next significant action was that Japan (as well as China and South Korea) joined the leaders of ASEAN in an informal summit (in 1999). This encounter could be considered as a great stimulus to commence economic negotiations in earnest, and in the first decade of the new century Japan succeeded in signing free trade agreements (FTAs) with many of the Southeast Asian countries.¹⁷ These separate FTAs indicated that Japan still

¹⁶ At the period indicated it was still not clear whether this unity can prevail over the individual interests of the member states and whether Tokyo must face a strong united front, or the joint appearance of ASEAN could be considered only as a façade. The following years proved that Japan could still negotiate separately with the ASEAN member one at a time (see Note 17), but in the longer run it turned out that the organization had to be regarded as a more cohesive entity. This was also expressed by the introduction of the 'ASEAN centrality' idea, which initiative showed that the Southeast Asian countries did not want to lose the momentum when they can still command some respects and preserve their once attained appreciation based on strength.

¹⁷ The first informal dialogue between Japan and ASEAN took place in 1973 and was developed into the ASEAN-Japan Forum in 1977. Since then regular meetings at different levels were held, and the talks resulted in the creation of the 'Framework for Comprehensive Economic Partnership' in 2003. Negotiations on its implementation lasted from 2005 until 2007, and the agreement on ASEAN-Japan Comprehensive Economic Partnership (AJCEP) was signed in 2008. It is a unique feature of this agreement that the concrete context of the agreement must be negotiated and clarified with all the individual members of the organization separately. At the same time, these are comprehensive agreements covering most of the basic areas of cooperation, namely trade in goods and services; trade in investment, rules of origin; sanitary and phyto-sanitary issues; technical barriers to trade; dispute settlement mechanism, and economic cooperation questions, in general (MITI (Malaysia), n.d.) AJCEP was followed by the individual FTAs. The FTA with Singapore was concluded earlier, already in 2002, but with Malaysia only in 2006, with Thailand in 2007, with Brunei and Indonesia in 2008. In 2007, the negotiation on ASEAN-Japan Comprehensive Economic Partnership Agreement was closed, and it entered into force the following year. The ASEAN-Japan FTA first covered trade in goods but later on was extended to include trade in services and investment. Nevertheless, there are still important fields (e.g. intellectual property (IP) where no agreement could be reached.

appeared as a valuable partner for these states and those who could gain more from closer cooperation (like Singapore with its more diverse and developed economy) were ready to set new rules at the national level of the bilateral trade. The agreements adopted further stimulated the conclusion of additional FTAs. (On the other hand, the individual approaches of the member states also reflected that ASEAN was not yet in the position to achieve an organization-based and harmonized agreement with external partners.)

The value of the institutionalization of relations can be attributed to the fact that within such framework the extension of cooperation could be achieved easier and secured a distinguished position for both sides. (Naturally, the same assessment can be said of China and South-Korea.) The political vehicles that featured in this cooperation encouraged the partners to establish regular contacts and consultations.¹⁸ As the handling of principal questions has been channeled within these structures, the agenda points generally reflect the modified attitude and also the priorities of both sides. They unambiguously support the notion that since the earlier period focus (pre-turn of the century or early years of the new century) has been relocated and though economic cooperation has remained a central issue, political-security considerations have gained decisive importance.¹⁹

On the economic side, the institutional structure comprises several organisations that—in general—target the development of the ASEAN members, by way of channeling capital and human resources, as well as technological and human knowledge to the region. While these organisations (such as the Japan-ASEAN Integration Fund (JAIF) and others) function relatively smoothly, it can be seen that the emphasis has been placed more on multilateral—regional—cooperation.

The economic and political cooperation has been going on hand in hand, as in the early years of this century not only FTAs were signed but Tokyo also joined ASEAN in the Treaty of Amity and Cooperation in 2004. Japan also joined consultative forums with the organization on security matters. Furthermore, its patrol boats participated in military exercises with some of the member states, too.

¹⁸ In 2018, the 21st Japan-ASEAN Summit Meeting was already held (in Singapore). Though such meetings are usually held along the ASEAN+3 meetings, nevertheless they offer possibilities for discussing issues of mutual interest behind closed doors. (The original idea leading to the creation of the ASEAN Regional Forum (ARF) is attributed to the Japanese Foreign Minister Taro Nakayama, who proposed it in 1991. Finally, ARF came into existence in 1994 (Miguel, 2013, pp. 107-8)).

¹⁹ The comparison of the Tokyo Declaration of 2003 with the Bali Declaration of 2011 or the more recent documents (e.g. Chairman's Statement of the 21st ASEAN-Japan Summit, Singapore, November 14, 2018) helps the observer to navigate among the changing priorities and strategies of the two parties.

3. Economic Cooperation between Japan and Southeast Asia in the Latter Part of the 20th Century and the Early 21st

From the mid-1940s for some time, in addition to losing the war and being compelled to leave the region, Tokyo was considered as a hostile and undesirable actor. Nevertheless, thanks to the Cold War and the American political intentions, its political and military commitment to Southeast Asia, as well as the consequence of Japan's rapid economic revival and Tokyo's reparations to the local states, after a short interval it succeeded in rebuilding its ties with the Southeast Asian partners. Though there still remained sometimes very sensitive political and social questions that impeded this collaboration, but from the economic side Japan was in a fairly favorable position. In the mid-20th century Japan was the only formidable Asian country that managed to approach the level of the industrialized states, and fortunately, it did not have to compete with others. In spite of this, by the 1970s the growth of the Japanese economy started to be impeded as many of the elements that contributed to its fast development had ceased to exert their positive influence and the country was compelled to accelerate the structural reforms that had commenced earlier (Hernádi, 1980, pp. 156-157). During these early decades Japan had not only become one of the major technology importers of the global market, but it started to show its ability to further develop the patents bought and also the additional technology and expertise acquired. In the area of R&D Tokyo approached the developed partners and introduced its own high level and sophisticated products. On both sides of the production factor, namely concerning the demand for raw materials and parts and the need for wider markets, Southeast Asia became an even more important market than before. That was also the era when the Southeast Asian states introduced their export-oriented economic policy that was supplemented by a high level of growth. ASEAN members could attribute their development mainly to industrialization that originally had been based on labor-intensive light industries (e.g. textiles) that were followed by less sophisticated but ever improving branches of production (Yamazawa et al., 2003). Thus, local actors also improved their economic standing and became more capable of offering the goods needed by Japan and also the 'playground' for its outward-looking companies. Seemingly, it was a clear-cut cooperation based on mutual interests. Japan was the supplier of capital, technology, managerial and organizational expertise, and naturally the bulk of more sophisticated production means and consumer goods, while the regional economies offered raw materials, cheap labor, venues for declining (and polluting) industries, and also huge, and rapidly expanding markets, with tens of millions and continuously

enriching consumers (Ibid.). This situation could have remained more or less acceptable for both sides if new developments had not occurred.²⁰

Before analyzing new developments, it must be made clear that the two sides were very important partners for each other, although they did not constitute each other's leading or decisive and especially not exclusive economic contacts. Although data indicated a more balanced relationship, at the turn of the century it was still Japan that played a more dominant role in Southeast Asia than vice versa. These data reflect that ASEAN's cumulative GDP progressively reached some 57 percent of that of Japan (World Bank, 2018),²¹ but the weight of the region in Japan's external economic relations was smaller. Looking around the major economic partners it can be seen that during the last decades (since the 1980s when the ASEAN region itself has accelerated economic development) Southeast Asia was always lagging behind both the USA and Europe. The last years of the first decade of this millennium brought significant changes, when both these regions lost their relative importance, and at least in foreign trade, ASEAN could first approach and later on surpass the levels in these two directions.

3.1. ASEAN – Japan Trade

The improved position of ASEAN in Japan's international economic relations, and Tokyo's more favorable treatment by the Southeast Asian states is overshadowed by the fact that this situation has been created not so much by a straightforward and substantial growth in bilateral trade but partially by the comparative decline of the

²⁰ Both partners (Japan and ASEAN) were strongly shocked by the financial crises both of the late 1990s and the early 2000. It was especially difficult for some of the ASEAN members to get over these difficult times and overcome stagnation. Though the impact and the vulnerability experienced during these crises should not be underestimated, from the point of view of our research it can be mentioned that they had also positive outcomes, as the risks associated with these crises made it clear for both sides that they must cooperate in order to avoid the occurrence of similar situations. It was after the first crisis (1997-1998) that Tokyo offered its financial assistance to the ASEAN members and raised the idea of a special Asian Monetary Fund (instead of IMF), while the ASEAN+3 also made attempts to consolidate the situation through an 'Asian Bond Initiative' and an Asian Bond Market Initiative (Yamazawa et al., 2003).

²¹ This figure reflects the situation in 2017, and, naturally, the ratio had been changing all through the decades passed. Nevertheless, it can be stated that Japan's economic strength has always been much greater than that of the regional group or its individual members. None of the member states can come near to the capacities of Japan though today it is not the sheer size but rather the 'quality' of an economy that really matters. At the same time, it must be added—one single table cannot prove it, but being aware of the trends and processes having taken place in East and Southeast Asia it can be claimed—that the economic capability of ASEAN in itself also gradually strengthened its position vis-à-vis Japan.

USA and Europe and by the dramatic rise of China. While Beijing takes about one fifth of Japanese trade on both sides (though gradually Japanese exports sank below the level of imports from the PRC) ASEAN as a grouping has a ratio of 15 percent. And this trend, especially the strengthened role of the PRC is clearly continuing.

In general, Japan and ASEAN are important trading powers also on a global scale. The ratio of ASEAN's²² global export is 7.1 percent while that of Japan is 4.1 percent. On the import side similar data are 6.5 percent and 3.8 percent respectively (JETRO, 2017). Concerning their direct external trade, the figures are still higher. Southeast Asia as a whole, as indicated, takes 15 percent of both sides of Japanese external trade. The Japanese export to ASEAN reached USD 105.7 million in 2017, while the import value was USD 102.8 million (Table 3). While the comparison of earlier figures indicated stagnation or rather slow growth in foreign trade value, data for the last couple of years showed a higher level increase on both sides of Tokyo's trade. In ASEAN's trade Japan's share was about the same on both the export and import side (8.3 percent). These figures reflect close and mutual reliance on each other, but they do not indicate indissoluble or irreplaceable link. This statement can be supported by the fact that following the ASEAN trend, a continuously, though not drastically, weakening Japanese presence can be observed. Since the middle of the last decade Tokyo lost 1.7-2 percent of its ratio in ASEAN's total trade in goods. Both of the great competitors (USA, EU-28) experienced similar decline, though in their case the rate of decrease was somewhat smaller. Though South Korea could slightly strengthen its overall position, the big winner was China. Within a decade it managed to increase its share by 5-6 percent (AEC Chartbook, 2017²³).

As far as the trade balance in Japan-ASEAN relations is concerned, no unambiguous situation can be described. At certain times Tokyo experienced surplus, while at another time it had deficit in trade. The difference is usually relatively meaningless at the (Japanese) national economic level. It is more important to observe that the individual member states occupy different positions within this relationship and that can lead us to one of the weaker points of these bilateral ties: Tokyo contributed more to the development of those local states that had achieved a higher level of maturity

²² These figures and the later ones are obtained through the personal calculations of the author from the data published in JETRO, 2017. This report indicates the relevant data for ASEAN 6 (namely Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam) and leaves out the figures for the smaller 4 members. Scientifically it is not correct to disregard these states but—looking at their size and economic performance—in our general observations the distortion caused by this fact can be considered insignificant.

²³ See Table 4.1. (ASEAN Trade with Dialogue Partners); 4.2. (Share to ASEAN's Total Trade in Goods); 4.3 (Exports of Goods); 4.4 (Imports of Goods).

earlier and where specific Japanese interests could be more easily implemented. (See further comments in the latter parts of the study.)

Table 3

Value of Japanese exports and imports by different areas and economies
(thousands of USD, %)

Country/Area	2017			Year on Year % Change		Balance Y on Y Change	Share Contribution rate			
	Exports	Imports	Balance	Exp.	Imp		Exp	Imp	Exp	Imp
Total	697 220 513	670 970 646	26 249 867	8,2	10,5	-11 309 182	100,0	100,0	8,2	10,5
Asia	382 267 689	329 543 786	52 723 903	11,9	8,0	16 096 775	54,8	49,1	6,3	4,0
East Asia	367 563 353	322 275 022	45 288 331	11,9	7,9	15 334 891	52,7	48,0	6,0	3,9
ASEAN	105 719 321	102 772 986	2 946 335	10,7	11,3	-288 194	15,2	15,3	1,6	1,7
Asian NIEs	151 817 668	63 775 388	88 042 280	9,2	11,2	6 411 661	21,8	9,5	2,0	1,1
P.R. China	132 650 750	164 255 540	-31 604 790	16,5	5,0	10 964 897	19,0	24,5	2,9	1,3
Hong Kong	35 399 136	1 826 484	33 572 652	5,2	-6,50	1 891 547	5,1	0,3	0,3	0,0
Taiwan	40 587 661	25 360 011	15 227 650	3,2	10,6	-1 185 677	5,8	3,8	0,2	0,4
Republic of Korea	53 206 485	28 060 001	25 146 484	15,1	12,1	3 952 318	7,6	4,2	1,1	0,5
Singapore	22 611 036	8 516 524	14 094 512	14,2	14,3	1 752 491	3,2	1,3	0,4	0,2
Thailand	29 394 542	22 705 525	6 689 017	7,3	12,8	-570 560	4,2	3,4	0,3	0,4
Malaysia	12 745 443	19 235 019	-6 489 576	5,1	11,7	-1 400 183	1,8	2,9	0,1	0,3
Indonesia	13 377 837	19 854 133	-6 476 296	18,0	8,8	431 037	1,9	3,0	0,3	0,3
Philippines	11 113 570	9 762 102	1 351 468	7,4	7,7	68 107	1,6	1,5	0,1	0,1
Brunei	84 848	1 712 741	-1 627 893	2,3	1,4	-22 580	0,0	0,3	0,0	0,0
Viet Nam	15 038 501	18 511 408	-3 472 907	15,6	13,9	-224 464	2,2	2,8	0,3	0,4
Laos	116 292	149 261	-32 969	-0,7	29,8	-35 039	0,0	0,0	0,0	0,0
Myanmar	879 683	1 065 142	-185 459	-14,9	13,5	-281 435	0,1	0,2	0,0	0,0
Cambodia	357 570	1 261 131	-903 561	16,4	4,6	-5 567	0,1	0,2	0,0	0,0
U.S.A.	134 594 897	72 038 001	62 556 896	3,5	6,9	-91 084	19,3	10,7	0,7	0,8
Europe	86 513 394	88 686 217	-2 172 823	7,4	3,9	2 609 488	12,4	13,2	0,9	0,6
European Union (28)	77 108 305	77 984 061	-875 756	5,1	4,1	674 471	11,1	11,6	0,6	0,5

Source: Prepared from the Trade Statistics of the Ministry of Finance.

It is understandable that the largest economy of ASEAN, namely Indonesia, has a larger share in Japan's local imports than the others. Its ability to offer important commodities (first of all natural resources) to Tokyo explains this situation, just as it supports the notion that its earlier share of about 50 percent of total Japanese imports is continuously decreasing, as the character and composition of the Japan-ASEAN trade has undergone significant changes. The position of Indonesia on the exports' side is also explicable. The archipelago is not only not the first export market of Japanese goods

Table 4

Japanese exports by principal country of destination (1985-2009) (billions of Yen)

Country and region	1985	1990	1995	2000	2005	2006	2007	2008	2009
Total	41 956	41 457	41 531	51 654	65 657	75 246	83 931	81 018	54 171
Asia	13 658	14 143	18 911	22 319	33 652	38 071	43 551	43 548	31 391
Indonesia	520	724	935	818	1 017	858	1 065	1 304	870
Cambodia	0,4	0,6	7,2	5,6	8,6	9,5	13	19	11
Singapore	925	1 547	2 158	2 244	2 035	2 250	2 566	2 758	1 933
Thailand	488	1 315	1 850	1 469	2 478	2 665	3 009	3 051	2 070
Philippines	224	363	667	1 106	1 000	1 048	1 114	1 034	767
Brunei	21	12	12	6,1	12	12	14	19	15
Viet Nam	35	31	86	213	396	482	666	810	608
Malaysia	523	793	1 573	1 497	1 383	1 537	1 769	1 705	1 200
Myanmar	44	14	15	21	10	12	21	19	19
ASEAN	2 780.4	4 799.6	7 303.2	7 188	8 339.6				7 493
Korea, Rep.	1 694	2 518	2 928	3 309	5 146	5 849	6 384	6 168	4 410
China	2 991	884	2 062	3 274	8 837	10 794	12 839	12 950	10 236
China (Taiwan)	1 205	2 234	2 710	3 874	4 809	5 131	5 274	4 782	3 399
China (HK)	1 565	1 888	2 600	2 930	3 969	4 239	4 572	4 178	2 975
U.S.A.	15 583	13 057	11 333	15 356	14 805	16 934	16 896	14 214	8 733
Europe	6 829	9 683	7 214	9 254	10 840	12 626	14 645	14 304	7 943

Source: Japan Tariff Association

and services but it occupies only the 4th or 5th place among the ten countries, and it can be expected—as showed by the latest figures—that Vietnam has already permanently got ahead of Indonesia, too. These data again refer to the fact that Tokyo can get closer to the smaller but more heavily involved and more cooperative medium economies. Analyzing the composition of foreign trade vis-à-vis the ASEAN states, it can be seen that for long Singapore used to be an outstanding export partner far ahead of the others. In the creation of such a situation the central economic and financial position of the city state played an important role, but as the international fragmentation of labor took new shapes and depth, Singapore has become more a competitor than a collaborator for Japan. (Here, reference can be made to the very tight cooperation like the one characterized by GVCs. This remark should not be understood as a degradation of or a cutback in the Japan-Singapore economic ties, rather it points to the eagerness of the Japanese companies to work with partners which can be more easily directed, who have more vested interests and greater 'flexibility' in accepting the still more rigid

Table 5

Japanese imports by principal country of origin (1985-2009) (billions of Yen)

Country and region	1985	1990	1995	2000	2005	2006	2007	2008	2009
Total	31 085	33 855	31 549	40 938	56 949	67 344	73 136	78 955	51 499
Asia	15 907	14 157	14 551	22 392	34 994	42 114	45 023	49 512	31 683
Indonesia	2 431	1 821	1 335	1 766	2 298	2 807	3 117	3 378	2 038
Cambodia	0,1	0,5	0,7	5,6	12	14	16	13	13
Singapore	381	512	644	694	739	870	829	817	570
Thailand	246	599	950	1 142	1 718	1 964	2 154	2 152	1 495
Philippines	300	313	326	776	850	926	1 026	872	598
Brunei	454	183	127	178	252	272	294	470	311
Viet Nam	16	85	161	285	502	616	720	942	649
Malaysia	1 035	780	992	1 563	1 619	1 801	2 047	2 398	1 558
Myanmar	8,5	6,0	8,7	13	22	29	35	33	32
ASEAN	4 871.6	4 299.5	4 544.4	6 422.6	8 012				7 264
Korea, Rep.	977	1 690	1 622	2 205	2 695	3 178	3 210	3 052	2 051
China	1 552	1 730	3 381	5 941	11 975	13 784	15 035	14 830	11 436
China (Taiwan)	811	1 232	1 347	1 930	1 994	2 365	2 334	2 258	1 711
China (HK)	183	315	257	180	173	177	170	161	103
U.S.A.	6 213	7 586	7 076	7 779	7 074	7 911	8 349	8 040	5 512
Europe	3 370	6 744	5 608	6 172	7 929	8 585	9 812	9 657	7 167

Source: Japan Tariff Association

terms of these enterprises. Singapore is still a leading partner for Tokyo, but the rise of Thailand and also Malaysia and Vietnam point more to the restrained willingness of the Japanese partners to cooperate with a probable competitive partner than to the simple development of relations with the other ASEAN members, where relatively cheap and skilled labor is still found in abundance, and where the traditional features of production cooperation (e.g. relocation, outsourcing) still apply.

In spite of this sluggishness—or to put it more mildly, the slower reaction capability—of the Japanese companies should not be interpreted as large scale incapacity to adapt to the local conditions. In general, both at the administration's level and at the private enterprises, the Japanese managed to follow the changes although probably later than the competitors did. South Korea, Taiwan and also China were less reluctant to get local partners involved in deeper production cooperation than the Japanese. To be sure, Japan also followed the trends in the ASEAN region and in case

of the bigger and more developed local states we could see a shift in the composition of goods towards the significant increase of intermediate products.^{24,25}

3.2. Technological Challenges to Japan's Southeast Asian Position

Japan can be considered a unique example of technology-oriented development. Though from the Meiji Restoration Japan could become a foremost industrial power—as it was proved by the technological superiority during the military campaigns against China and Russia close to the turn of the last century and also in the course of World War II—and it had both the human and scientific abilities to accelerate development. However, until the 1970s the R&D spending of Japan was relatively low. The Japanese frequently bought licenses or full technologies from developed partners instead of developing such industries themselves (Fairbank et al., 1973, p. 826). At the same time, they soon realized that progressing in scientific and technological areas needs stronger concentration in the fields of education and R&D, and the world had to realize that the Japanese could not only imitate or make the replica of products but develop their own brands and invent radically new things. After this early period Japan became one of the foremost industrial and technological powers of the world. However, after a while many more competitors appeared on the scene than Tokyo had 3-4 decades earlier and these competitors have sometimes achieved the same or similar excellence. An additional decisive element is that most of the competitors realized that among the conditions of globalization, the industrial and technological development has also been internationalized, and it is ever more difficult to stand alone in the world. Not least thanks to their unique historical background and the special international relations, as well as their peculiar social and economic environment, for the Americans and Europeans it proved to be easier to make adjustments to these new conditions. Some other partners (e.g. South Korea, Taiwan or Singapore) as a matter of course

²⁴ As the Malaysian case illustrates, today thanks partly to Japanese FDI, the local companies are widely involved in the processing of intermediate products and according to the practice of GVC-networks, (re-) exporting significant share of their production back to the country of origin or to third markets. It is another issue that, in spite of the thorough changes, the Malaysian export is still composed mainly (49 percent) of intermediate goods, and the ratio of final products is relatively low. The modification of the composition of the Malaysian foreign trade characterized also the export to Japan (Yusoff, 2005).

²⁵ It is also true that the Japan-ASEAN Science, Technology and Innovation Platform envisages the promotion of joint research activities, including the incorporation of the private sector representatives, but the Japanese have been always slow in sharing their knowledge with third parties. The competitors recognized their interests in such moves earlier. On several occasions, Abe Shinzo vowed to strengthen Japan-ASEAN relations in the field of science, too, but up till now no break-through actions have been taken (PCOO, 2017).

were compelled to look for and accept external partners, involve these actors as contributors and consumers to and of their services. On the contrary, Japan seemed to be too big, and culturally much more reluctant to adapt to the new circumstances. As has been indicated, Japan could rise as an economic giant as a result of its widening international cooperation, but this collaboration in Southeast Asia had been based on the relations of unequal parties, leaders (Japanese) and subordinates (the partners). The Japanese were never flexible in sharing their knowledge, treat their partners as meaningful collaborators and preferred to keep all their cards (in production, in management, and especially R&D) in their hands. Though from the 1960s and 1970s, in the area of the fragmentation of labor (with now widely used terms global value chains—GVCs), Japan was a pioneer, but it mainly relocated some industries and certain production activities instead of supporting labor fragmentation, including the sharing of technological and research knowledge related to production. At the present, the competitors are already capable local partners involved in the wide sphere of production.

Indirect references have already been made to the fact that the relative rigidity of Japanese firms might make the preservation of local positions somewhat difficult. This vulnerability of ties—a kind of warning sign—can be seen by the composition of the ASEAN trade turnover. In this respect the ratio of the industrial goods that can be related to high technological levels—comparing the figures for the more significant competitors only—the lowest level is shown in the case of Japan. South Korea's and China's ratio is significantly higher. In the absence of further analysis, this can be interpreted only as a sign that Tokyo could not achieve a robust export drive in high tech products and closer cooperation in such industries. In other words, generally speaking, Japan still sticks to the 'traditional' methods of exporting intermediate parts to the ASEAN partners for assembling, either to buy back or return the product to Japan, or deliver it for final consumption to third world countries (Yamaguchi, 2018, p. 3). This comment does not mean that there was no significant exchange of high quality and high level goods between the partners, or that there was no technological cooperation between the parties. It must be acknowledged however, that Japan, one of the first initiator of the new form of fragmentation of labor (namely GVC-networks) in the region, is also represented by many companies involved in such collaboration. What is a negative tendency, however, is that the value of its contribution (its value added ratio), namely the contribution and the weight of such enterprises is declining.²⁶ This trend indicates that its position is weakening in Southeast Asia.

²⁶ According to Yamaguchi Japan's share of value added in gross ASEAN exports dropped from 8 percent to 4 percent (Yamaguchi, 2018, p. 6).

In other words, the 'stabilization' of Japan's Southeast Asian position can be endangered by several important changes. One of these is the radical technological development (the IT revolution) that drastically changed the direction of the global economy. From the point of view of this study, what can be considered the most important element was that though Japan could keep pace with technological developments and remained the leading force behind high-tech industries, in the meantime the other East Asian (not yet the Southeast Asian, but mainly the East Asian actors) and, with some delay, other (at this time also Southeast Asian) partners also climbed higher on the technological ladder. Japan could keep pace with the competitors but, at the same time, lost its unique, exclusive leadership position attained in the 1950s and 1960s-1970s. Its growth lagged behind the partners like South Korea, Taiwan, and not least Singapore. All this could be attributed to the general transformation of the global, and especially East and Southeast Asian, economic situation, including the unforeseeable technological revolution and the 'redistribution' of economic power, as the prime mover. Japan was too slow to make adjustments (Adams et al., 2008; Ichimura, 2015),²⁷ and the regional competitors managed to reach the stage from where they could not be subordinated in the same way as they used to be. Japan remained the 3rd or 4th largest and most developed economy until being eclipsed by China, which has weakened its power position. The Japanese economy could not come close to the growth rate of the post-war decades, and that also contributed to its relative decline.

It is clear that for the last 2.5-3 decades the growth of the Japanese economy has been more than modest. The development achieved in Japan was unsatisfactory for an economy facing such challenges as rapidly increasing competition, internal hindrances (aging population, increasing debt, worsening regional economic conditions, not least due to the fast strengthening of China, etc.), the ever higher level of globalization, and as its essential consequence, stronger interdependence. The same could be experienced in rapid technological advancement where Japan has, again, been on the losing side. (It must be stressed here that the position of Japan as one of the top technologically developed actors has not disappeared, but the competition became

²⁷ The literature on the slowing down of Japanese development is rich, and different observers usually agree that both external and domestic factors contributed to the rather weak performance of Japan all through the last 3-3.5 decades. For instance, Ichimura emphasized the impact of the 'Nixon-shock' and the revaluation of the yen in the 1970s, and later in the 1980s, the burst of the 'bubble economy' in the 1990s, the rise of China, or the worsening population situation (declining fertility rate and the social effects of longer life expectancy, etc. (Ichimura, 2015, pp. 46-47). He also negatively evaluated the achievements in capital accumulation, the slowing down of technological innovations, the shortcomings in economic policies and the lack of preparedness to fend off the competition of China and South Korea (Ibid., pp. 48-50).

tougher than ever, and Japan's earlier favorable position in this field has been gradually undermined. A decade ago the Japanese government expected that through IT technologies it could achieve higher economic growth, but this had not materialized (Adams et al., 2008, p. 151). One of the preconditions attached to the fulfillment of the expectations was that Japan had to become a more open economy, and'... in part to link Japan to its fast growing East Asian region (Ibid., p. 153). It is worth noting that those who determined these expectations (including Nobel Laureate Lawrence R. Klein) referred to East and not Southeast Asia. On the other hand, to be fair, it must be admitted that Japan has not totally lost its scientific edge as for the time being, it still has one of the highest ratio of GDP spending on R&D and it handles more patent issues than the USA (Financial Times, 2009). This can be supplemented by the fact that on the official level, the Japanese administration is more than eager to support Japan-ASEAN scientific cooperation. Earlier it had been presumed that Japan followed a 'technonationalist' science policy not only pursuing technological autonomy (which is the aspiration of China today) but drawing one-sided benefits from international technological cooperation. Today, however, Tokyo is considered to be more cooperative in this field. Nevertheless, the biggest stumbling block is that this official approach cannot be easily sold to the private sphere²⁸ (Degelsegger – Blasy, 2011, p. 101).

4. Relations in the 21st Century

As it has been indicated, the Japan-ASEAN relationship has become more balanced in so far as that both parties consider each other as assets. In the economic area, theoretically Japan seems to be stronger and can offer more to the members of ASEAN than it can gain. However, without Southeast Asia it would be much weaker. The economic strength of Japan is still twice that of the ASEAN states combined (see Table 1), however, one must bear in mind that the growth rate in most of the Southeast Asian states is higher than that of Japan. In addition, in many fields the leading members are already competing with the Japanese firms even in the leading (sub)branches of the economy. Yet the most significant element that has been contributing to the decline of Japanese power is the continuous emergence of China. This danger for Tokyo stems not so much from the approximately three times bigger GDP of China, but from the perception of the ASEAN members that they can get much more from

²⁸ In Degelsegger – Blasy (2011) many representatives of the ASEAN region emphasized the positive approach and readiness of the Japanese Government to support scientific projects with their Southeast Asian partners.

Beijing than from Tokyo. Japan has lost its leverage over these partners, all of which, or at least many of them, have already become very dependent on China.²⁹

4.1. The Role of ODA and FDI in Japan-ASEAN Cooperation

Naturally, in spite of the rather negative conclusions drawn above, there are some areas where Japan still deserves respect. However, the number and impact of such spheres is also declining.

Concerning the flow of capital into Southeast Asia, it can be observed today that, disregarding the developed economies, this region is the most favorable place for investors coming either from outside or inside the region of ASEAN.³⁰ However, this situation differs very much in comparison with the post World War II period when it was not really a priority area for anyone. Local tensions (the process of decolonization, the war in Indochina, the ambiguous policy of local leaders like Sukarno, etc.) and global issues turned the attention of potential collaborators away from Southeast Asia. In the 1950s and 1960s, the East Asian actors (South Korea, Taiwan) were treated more favorably by the partners (first of all the USA) than these countries. True, certain former colonial powers still could retain some influence by way of strengthening their economic presence in the region, but they had not been in the position to satisfy the

²⁹ It is difficult to see a harmonized China-policy within the organization. Some members (Cambodia and partly Laos) are ready to fully accept the presence and influence of the PRC. Others (e.g. the Philippines) try to get as much out of this relationship as they can. Again others, e.g. Indonesia, play low-profile policy though they are aware of the fact that the stability of any of the local governments depends on the arrival of Chinese funds (FDI, loans, etc.) and the relatively cheap goods, affordably priced for the common folk, can stabilize the economy and satisfy the purchasing ability of less well-to-do citizens (though at the expense of political sovereignty). At the same time, the historically and traditionally anti-China actor, Vietnam is extremely cautious not to offend the big neighbor. Singapore and Thailand, that usually keep low profiles, continue to do so. In general, it is very rare that any of the local states openly express their dissatisfaction with the aggressive economic (and political, as well as military expansion of the Chinese actors).

In personal interviews with the author, Indonesian economists and entrepreneurs admitted that they felt uneasy about the Chinese presence, and they could not expect the huge funds required for infrastructural investments and the keeping of the social contradictions within limits, only from China. The government considers the increasing Chinese presence a less significant and less direct political threat than the probable, violent rise of extreme religious forces.

³⁰ While the arrival of external FDI can be easily understood and explained by historical and economic factors, local (or inward) ASEAN FDI deserves somewhat more attention, although it cannot be explored here in full details. The relatively high level of regional capital flow is experienced in many such organizations, from Europe to Latin-America or Africa. What makes Southeast Asia a distinctive case is that here a pivotal role is played by Singapore attracting most of the local capital (above 50 percent) and also being the most important FDI supplier (Sitong, 2017).

demands of local states, and later on they could not match the USA (and Japan) either. The process of emerging as an unquestionable investment market took some while and required further changes.³¹

Regarding Japan's position in this respect, difference can be made between FDI and its official development assistance (ODA). From the mid-1950s until the early 1990s, in the ODA area the then ASEAN region used to be the most significant and greatest recipient of Japanese capital-inflow. Reparations, ODA-sources and the more sporadic FDI all served to strengthen the presence of Tokyo in Southeast Asia, which had positive results. Thanks to the combination of these financial means, Japan successfully returned to the region, not least due also to the relocation of some of its industries to local partners. Having seen the improvement of local conditions and following this trend, Tokyo further strengthened its willingness to direct more investment here, and as a consequence, both the volume of external FDI and its share in the GDP of the local actors have increased manifold (Sitong, 2017). By the early 1990s, Japan became the first external investor in the region (Miguelm, 2013, p. 104). All these showed the appreciation of ASEAN, the acceleration of economic cooperation and also the rising dependence of the region on Japan.

Though it used to be an important economic and also a political tool with due course development assistance in Southeast Asia has started to be replaced by more direct financial cooperation. Nevertheless, the ODA is still applied by Tokyo. While recently the greatest bulk of Japanese ODA has been directed to other third world regions, among the major beneficiaries we still find Vietnam (with roughly 10 percent of all the Japanese ODA) and the more under-developed countries of the organization (Laos, Cambodia, Myanmar) (see: Table 1). In addition, the Indochinese states receive special attention not only because of their economic and social situation but as a means to assist these countries to retain at least some parts of their independence from China.

Regional states welcomed not only ODA but also foreign capital (FDI), accepted the courting of external partners and tried to exploit the new situation, and not without success. At the time of Japan's return to Southeast Asia, the region could be

³¹ Just to name a few of these factors: on the external side, the impact of the 'Domino theory', the birth of ASEAN and the stabilization of regional security as well as local collaboration, the internal problems of the USA, the changing nature of China-factor, etc. On the internal side, the rapid development of the states of the region (lagging behind East Asia but following it not long after), the oil-boom in Indonesia, the amazing emergence of Singapore as an economic hub, and many more factors contributed to the excellence of Southeast Asia. As a special Japanese element, the so-called Plaza Accord of 1985, namely the appreciation of the yen (by American demands) provided incentives to relocate industries abroad.

characterized not only by the heavy presence of Japanese capital in Southeast Asia but also by the very solid power position of Tokyo.³² Then Japan had no real 'local' (Asian) competitors. With the emergence of the 'dragons', and more importantly, with the rise of China, the situation has drastically changed. Tokyo lost its leading role in the sphere of FDI and also the possibility to exploit the positive local elements both politically and economically, namely such elements as economic superiority, unbalanced power relations, the capability to dictate the directions of cooperation, etc. Currently, Tokyo must compete with South Korea, Taiwan, in some respect also the ASEAN member Singapore, but first and foremost with China. Today, this competition is related not plainly to the allocation of capital, or to obtaining the best work force in the region, but it concerns many other segments of economic cooperation, from the relocation of industries to technological cooperation, including the realization of GVC-collaboration. Japan is still the greatest supplier of funds and capital in the region, although cannot dominate it anymore and has to make adjustments to the new conditions, which are usually painful for the Japanese and positive for the local partners. It must make adjustments because it still needs both the local markets and the reliable supply of many commodities.

In order to have a clearer picture of the place of the ASEAN-region in Japan's foreign relations, it must be added that though Japan has been playing a leading role in the development of Southeast Asia, in reality the present ASEAN region has never been the most important direction in the use of its FDI. The figures for Japanese FDI to Southeast Asia are remarkable, but the developed partners, first of all the USA and West Europe, have always been prioritized. In addition to the political and security considerations, Tokyo has placed higher value on these investment and cooperation contacts than on the ASEAN member states. In spite of this—as also reflected by Table 6.4 in AEC Chartbook 2017—Japan is still one of the heaviest investors in the region with a share of about 15 percent (Garcia, 2017). The ambivalence of the Japanese approach to the ASEAN-region is also mirrored by the composition of ASEAN FDI-sources by region. In this respect, regardless of the importance attributed by Tokyo to Southeast Asia, Japan is relatively far behind the EU-28 and also the USA and falls behind ASEAN inward investments, though it is still ahead of China.³³

³² In addition to Japan, the USA and the former colonial states were also present, but the engine of economic growth and development was more Japan than the other non-Asian states.

³³ For the sake of correct interpretation of this statement it must be taken into account that in spite of their close cooperation, the EU members should be considered separately as they implement their FDI-policies on national basis. In case of the USA significant fluctuations could be experienced in the last years and today it is pretty difficult to predict the actions of the American administration, and the major enterprises.

In 2015, the Japanese government and firms directed USD 20,624 million toward ASEAN-6, which was only 15,1 percent of Japan's outward FDI. All in all, these data indicate a variable trend in spite of the claims of JETRO that there is a shift, and Japanese companies turn their attention and transfers from China to ASEAN (JETRO, 2017, p. 6).³⁴

The Japanese FDI-position is challenged by one single actor, the PRC as Beijing's presence is felt in the region stronger than ever. Though as it was mentioned above, Chinese investments are still behind that of the Japanese, the trends show a straight-forward rising tendency. China has already overcome Japan in the area of foreign trade value and, in general, it can offer more favorable conditions to the local states in the area of investments, too. Tokyo might have the advantage in the 'quality' competition, but concerning most of the other components of FDI (e.g. prices, financial conditions, etc.) Beijing usually offers better terms.³⁵ Though some analysts claim that China's FDI activity will be still concentrated in such niche sectors as real estate, mining and quarrying (The Business Times, 2018), looking back on the extremely rapid expansion of Chinese economy and keeping in mind the 'Made in China 2025' plan, it cannot be ruled out that already in the coming years China will become a real antagonist in many other areas. There are signs that it has already started to be involved in large-scale infrastructural projects (that cannot be separated from the Belt and Road Initiative, BRI), and also in sophisticated and high level industrial productions.³⁶ The danger for Japan (and the other interested parties) lies in the fact that many Chinese companies can easily maintain competition with external partners³⁷ when the local capacities cannot meet all the high standard demands.³⁸

³⁴ The share of the individual ASEAN members deserves some attention as it shows that Singapore is the biggest recipient of Japanese capital in the region. Thailand and Indonesia follow the city state but Singapore's position seems to be weakened as the negative turn in 2016 can be attributed to Singapore. The early data of 2017 also show that the city state has been preceded by Thailand. As far as the figures originating from this period (2015-2017) indicate the less competitive partners (Indonesia, the Philippines but first of all Vietnam) are gaining importance in relation to FDI. Regarding Japan's inward FDI ASEAN, practically Singapore alone, is also becoming stronger following such partners as the USA and the EU (JETRO, 2017, p. 7).

³⁵ It must not be forgotten that in most cases the 'cheaper' is more acceptable for most of the local players than the 'better' (or higher quality).

³⁶ Lenovo already appeared in Thailand and Huawei in Malaysia. If we consider the 'Made in China 2025' project and the worsening profitability of the Chinese firms, it is logical that the number and value of Chinese investment in many other sectors will be on the rise (Ibid.).

³⁷ Especially if they can get government support. It is clear that the present government is ready to provide appropriate assistance to its enterprises if it concerns strategic goals.

³⁸ For instance, external partners have already started to complain about the shortage of appropriate and trained workforce.

In addition to the fact mentioned above, the FDI situation in the region has further contradictory elements from the Japanese point of view. For instance, it can be pointed out that at present the PRC is the strongest rival of ASEAN for Japanese investments. Since the 1990s, there has been a significant change in the direction of Japanese FDI, and today China is the biggest recipient of Japanese funds. As a group, ASEAN still gets slightly more than the PRC, but as individual recipient, China is the greatest beneficiary.³⁹ It can be also observed that while in the case of the PRC there is a more or less continuous rise, among the ASEAN members significant fluctuations can be experienced. This fluctuation appears in connection with ASEAN and is also related to the distribution of funds among its members. At present, Thailand seems to be the top destination of Japanese FDI, however, the situation can easily change partly because changes in the situation of Singapore (its coming back to pole position) or the moving forward by Vietnam.

Another interesting element in the FDI-question is the internal flow of capital within ASEAN. Available data show not only that the level of the internal circulation of capital is much higher than that of Japanese FDI in the ASEAN region but in this field Singapore takes the lead once again. The city state is not only the biggest beneficiary of the inward flows of FDI (AEC 2017; Table 6.2.), but at the same time, it is also the most import 'internal' FDI provider of the other member states. In this respect Singapore plays multiple roles: it is a competitor of Japan (and China and many other external FDI-suppliers) and in the position of a first class technological power having reached the development stage of other high tech 'strongmen', it can be used as a 'distribution center' or intermediary between the outside and local parties (namely, among others, between Japan and the other ASEAN partners), reducing the risks associated with GVC-activities.⁴⁰

³⁹ According to Sako's calculations, the value of Japanese FDI to 5 members of ASEAN (ASEAN-5 composed of Indonesia, Malaysia, the Philippines, Thailand, and Vietnam) is not much higher than the value of Japanese investments in the PRC (Sako, 2017; Chart 1). Sako did not explain why Singapore was left out of his calculations, but it is well-known that though Singapore has been one of the closest, if not the closest, Southeast Asian partners of Japan, in the recent past Tokyo had to see a negative turn in Japan-Singapore FDI-contacts, while the city state channeled much more funds and investments to Japan than vice versa (see: Ming, 2017; Han, 2016).

⁴⁰ It might seem to be the fixed idea of the author that, talking about Singapore, the 'Chinese-question' always comes to his mind. However, the regional role of the 'overseas Chinese' reminds us that this 'economic hub' of ASEAN is controlled and managed by business people of Chinese descent and representing 'Chinese connections' (guanxi).

4.2. Participation in Multilateral Agreements

As could be witnessed in the 20th century, regional integrations and/or multilateral agreements cannot yet substitute or degrade certain bilateral relations, but they have gained big importance. International multilateral agreements and forums are the means and venues where individual interests can be best sidelined and multilateral interests harmonized. It might seem to be a strange assertion, but in many cases the importance related to a membership in such integrations can be attributed not really to the direct profits of membership itself but to the fact that an actor is not left out, and it must not face the negative consequences of exclusion.⁴¹ Both Japan and ASEAN have enough economic (and political) clout to be respected and to be invited to join such schemes. This fact might help them to join forces and work together in wider regional frames, but there are elements that—in general and on some concrete issues—keep the parties apart.

First of all, both parties try very hard to strengthen their individual position in the changing East and Southeast Asian economic and political environment and, although they consider each other useful partners in the multilateral environment, they cannot and do not want to disregard the present-day value of regionalism and regional trading blocs for the individual actors, the special interests of such actors, and also the contradictions stemming from different positions and interests at the level of regionalism. The situation is further complicated by the fact that though ASEAN can be regarded as such an entity on its own right and enjoys certain advantages (see the ASEAN+3 dialogues), it still does not have a harmonized policy towards other multilateral forms of cooperation. (See the member states' individual attitude towards TPP-11.) In other words, the ASEAN Free Trade Zone (AFTA) and the longer term ASEAN Economic Community (AEC) plan reflect the strength and also the weaknesses of the organizations. In spite of several achievements (significant reduction of tariffs, establishment of harmonized tariff nomenclature, blueprints for common investment area, joint financial measures, etc.), ASEAN could not overcome the problems flowing from the fact that these countries are more competitive than complementary. The member states are rather united vis-à-vis third parties, but they jealously try to preserve or strengthen their individual regional positions in all the spheres they can

⁴¹ Two simple remarks reflect the accuracy of this statement. First, the exclusion of the island of Taiwan from many international organizations clearly shows that though Taipei can cope with the losses suffered due to its denial of membership in certain multilateral institutions, after some time the accumulated losses might become unbearable. Second, in connection with the previous element, the greatest risks originate not from the mathematically predictable losses but from being absent at the decision-making tables where the rules of various games are adopted.

do so. Nevertheless, multilateral cooperation is a decisive issue and they have been continuously exploring the chances of deepening their relations with their closest external partners. This is shown by the several agreements concluded.

Within the framework of the ASEAN+3 negotiations and collaboration that has been going on since 1999 including Japan, ASEAN tried to lay down specific conditions for cooperation. The free trade agreements (FTAs) with the 3+3 partners were negotiated one by one and while most of these documents slightly differ in their content, all of them reflect the impact of the organization. The ASEAN-Japan FTA (AJFTA) entered into force in 2008. Although based on mutual interests, this agreement was the result of strong Japanese initiatives that facilitated the movement of materials and goods. At the same time, it could be also attributed to the China-Japan competition for regional influence (Taguchi – Lee, 2016, p. 7). While this FTA differs from that of the other ASEAN partners, what deserves mentioning is the fact that some of the other ASEAN+FTAs facilitated more mobilized cooperation at a higher level than AFTA. Though these FTAs serve their purpose for the organization, in order to further their positive impacts, ASEAN is striving for working out a huge free trade area with the closest partner through the Regional Comprehensive Economic Partnership (RCEP). Talks about RCEP started in 2012, but its final document has not been adopted, yet.

Considering each other important partners, and being aware that other third parties can be at least as important, if not more significant for the 'other side', both the ASEAN members and Japan follow with interest the initiatives and actions directed at the creation of new institutionalized cooperation schemes within a still wider geographical area. Being in a relatively enviable economic and political position, neither Japan nor ASEAN need to be afraid of not being invited to join their forces with others or of being left out. On the contrary, ASEAN is accepted as a more or less cohesive body, and its members are sought after either individually or collectively as partners. They seem to be ready to get involved in following negotiations concerning such endeavors. Tokyo is not different in this respect. All this is clearly proven by the joining of Japan and some of the ASEAN states to the TPP-11 project, namely the replacement of the USA-rejected Trans-Pacific Partnership idea. This agreement was already signed, and its ratification process has commenced.⁴² Japan supported the idea from

⁴² Officially known as Comprehensive and Progressive Agreement for Trans-Pacific Partnership or CPTPP but generally referred to as TPP-11, at present the Partnership includes 11 countries, some of the original negotiators of the Trans-Pacific Partnership (TPP) project that was rejected by President Trump. TPP-11 can be considered the third largest free trade sphere after NAFTA and the European Union. Most of the agreement stipulations correspond to the similar provisions of the TPP, but mainly those elements that were originally opposed by the American negotiators or preferred by them were

the beginning, but from amongst the members of ASEAN only 4 (Brunei, Malaysia, Singapore, Vietnam) joined TPP-11. That makes it clear that there are internal conflicting or at least diverging interests within ASEAN. Compared with the Regional Comprehensive Economic Partnership (RCEP) agreement (see RCEP below), TPP-11 contains more stringent trade measures.⁴³ This explains why some ASEAN members showed reluctance to make sacrifices or make more 'painful' adaptation. At the same time, it was clear that sooner than later they—especially Indonesia and Thailand—had to follow suit. (Both countries have already expressed their interest in affiliating themselves with CPTPP.)⁴⁴ It could be expected that TPP-11 will facilitate and increase internal trade, and it was understandable why the highly foreign trade-dependent Singapore is trying to join every multilateral forum where international trade can be eased. In this respect, Japan and the city state can be considered—naturally not without conflicts of interest—close allies. According to observers, one of the major advantages of the new TPP agreement can be its appeal to foreign investors and in this area Japan could become again a big asset and also a significant beneficiary.

TPP-11 is the most recent attempt of the East Asian and Pacific countries to further their economic, and especially trade interests, although it is not the only attempt. ASEAN has been active for some time to take the lead and bind its closest partners to itself by the conclusion of a general FTA. The conclusion of the so-called Regional Comprehensive Economic Partnership (RCEP) agreement envisaged to be signed with the major partners (ASEAN+3 plus 3 or ASEAN+6) has been on the agenda since 2012.⁴⁵ Though RCEP would be the largest and—with the incorporation of China and India—the strongest and perhaps most influential regional trading bloc commanding

built into the new agreement, if supported by the present signatories. Ratified by a proper number of signatories (6 from the 11), the agreement entered into force on December 30, 2018.

⁴³ The consolidated text of TPP-11 agreement: [online] Available form: <https://www.iilj.org/wp-content/uploads/2018/03/CPTPP-consolidated.pdf>

⁴⁴ It was not surprising that Tokyo and Singapore were among the firsts who ratified TPP-11. And it was also understandable and even expected that Bangkok and Jakarta showed their interest in joining TPP-11. Bangkok signaled its readiness for talks already in May 2018, while Indonesia also made it clear in mid-2018 that it 'will make a decision on this topic' within a short time.

⁴⁵ In RCEP, in addition to the ASEAN members, Australia, China, India, Japan, New Zealand, and South Korea (the so-called FTA partners of ASEAN) strive for reaching a trade deal. The agreement envisaged to strengthen the cooperation of these countries on a wider scale, substituting the present ASEAN+1 FTA system with a more comprehensive one. It would cover all the major fields related to traditional commerce (trade in goods, services, investment), to the regulation of relevant questions (rules of origin, intellectual property rights, dispute settlements, competition, etc., and also new issues like e-commerce.) Originally, the agreement was expected to be completed by the end of 2015, however, by the end of 2018 some open questions still remained unanswered. A comprehensive introduction into RCEP is provided on the ASEAN website: [online] Available form: https://asean.org/?static_post=rcep-regional-comprehensive-economic-partnership.

around 40 percent of the global economic power (Petri – Plummer, 2018). If it enters into force, it can increase global GDP by about 0.2 percent a year (Ibid.).⁴⁶ However, it is an open question how it could serve the long-term interests of ASEAN and Japan. For the ASEAN the biggest query is whether they can remain in the driver's seat and direct the course of negotiations, or whether such an agreement will render them more vulnerable to the dominant powers, first of all to China. The talks show that the member states and the weaker actors (first of all India) are still looking for the answer, and some of them are hesitant to accept joint conditions. (Originally, Indonesia indicated that RCEP is more important for it than TPP, however, later statements show that the dice has not yet been cast, and Jakarta has moved closer to TPP-11 (Takahashi, 2018)).

5. The Present and the Near Future – Conclusions

Although the Japanese-ASEAN (Southeast Asian) relations have been divided by the author of this paper into three major time horizons, this periodization can be expanded and many more sub-periods can be separated from one another. From the point of view of this study what is important now is the present period the origin of which can be traced back to 2013-2014. It was easy to claim that this period started in 2012 with the election of Xi Jinping to his many posts, but it must be admitted that the real impact of his new policies could already be felt from 2013. That was the time when the new Chinese leader(ship) replaced the more cautious (more Deng Xiaoping-type) policies of the previous Chinese political generation with the more assertive, not simply self-confident but more ambitious international policy lines. (It might seem to be questionable that in his study on Japan, the timing of periodization is related to the events in China and not in Japan. Especially as one could also talk about the second premiership of Shinzo Abe, whose foreign policy and readjusted ASEAN-policy had an impact on the Japan-ASEAN relations, too. However, the author's position is quite clear: since 2012-2013 China has been the prime player who calls the shots, and both Japan and ASEAN follow the events and attempt to adapt.)

Neither Japan, nor ASEAN is a secondary player and—at the time mentioned—they realized that they needed each other more than ever.⁴⁷ As non-outstanding military

⁴⁶ The big question is when it can be concluded, as after six years of negotiations only four of the 21 (negotiating) chapters were closed (Petri – Plummer, 2018).

⁴⁷ Emphasizing the correctness of this remark and the importance of these bilateral relations for the parties, it must not be lost out of sight that they are not determinant partners for each other. Some others (like the USA, China, Europe) are more significant than the 'other side'.

and political actors, they were compelled to grasp the meaning of a new situation in which a 'new' emerging superpower openly intended to use its (up till now soft) power to expand. Namely, China made it clear that it expects others to accept its outstanding power position; it is ready to take down all obstacles on its way to superpower status; it is ready to eliminate or at least regularize those who dare to question this position; and it is ready to use also other instruments of power in order to ensure this position.

This was the time when the two parties had to realize that neither of them was a really formidable opponent, let alone a kind of counter-weight to China. Though the trend that started in the late 1980s has not yet fully terminated, the situation in the mid-2010s clearly reflected the radically changed position of the parties and plenty of data characterized the changes. While in the 1990s Japan held 74.5 percent of East Asian GDP, and China only 8.6 percent, in 2014 the figures were 52.5 percent for the PRC and 23.3 percent for Japan. Similar shifts could be observed practically in all the major economic areas, perhaps with the exception of the otherwise decisive technological sphere (Dent, 2017; Table 7).⁴⁸ Despite its huge successes in our globalized world, not even China can avoid cooperating with others, and Japan and ASEAN are aware of this interdependent state of affairs. At the same time, they also have to comprehend that the political game of equal partners (that seemingly characterized the foreign policies of Xi's predecessors) is over. Nevertheless, neither Japan, nor the ASEAN could openly reject the new Chinese policy lines. They have been already too heavily dependent on China for different reasons but with equal weight, in the sense that both of them had to recognize that in themselves they are not a match for the PRC. Though this author can partly go along with the supposition that for some time the ASEAN members formed their relations with Japan based essentially on economic considerations (Hassan, 2003, p. 145), today it is clear that the organization needs Tokyo also for political and security purposes. At least for the present, the international political and security sphere is the area where neither of them need to be afraid of the aspirations of the other side. Neither of them can threaten the other party and thus they can unite their forces or at least try to rely on each other as more or less equals.

The economic sphere is somewhat different. Here the level of interdependence differs significantly from that of the political-security stage. To be sure, both parties need the other side and can gain a lot from cooperation. Among the major differences,

⁴⁸ Though according to Dent even in the area of 'Technology and Innovation' China has replaced Japan, here Japan still commands great strength and the advantage of the PRC is not without fault (Dent, 2017; Table 7). (The table referred to incorporates 'patent applications'; 'trademark applications'; and 'high technology exports' where China really leaped to No. 1 position although in spite of its enormous development, it has significant deficiencies.)

however, we find imbalanced power relations, namely the more advantageous position of Japan, the collision of direct interests, and not least the increasing dependence on China of both sides. There is an additional factor that can also be considered a weakening element of these bilateral ties. Today, the once leading ally of the region, Japan is only the third or fourth most important trading partner of ASEAN. Japan is preceded by China, the USA and the EU-28. The turnover with Japan is only around 55 percent of the trade volume with China, and while during the last decade (2007 to 2016) the trade with the PRC increased by 215 percent (!), the same figure for Japan was only 16.5 percent. During these years, the share of China in the organization's foreign trade rose from 10.6 percent to 16.5 percent, while the same indicator for Tokyo showed a decline from 10.7 percent to 9 percent. While Japan's share in ASEAN's foreign trade is 15.2 percent, that of China's is 21.7 percent (AEC Chartbook, 2017). It is also a revealing fact that Japan has a more or less balanced trade with ASEAN, but China has high surpluses in both directions.

In spite of the rather negative outcome of past trends and looking at the economic position of the parties, it is not difficult to identify certain basic points in their relationship. Japan is still the third strongest actor of the world economy.⁴⁹ Though the ASEAN member states together constitute a significant economic power, and their growth rate is much higher than that of Japan, the economic strength of the two sides will remain incomparable for some time to come.⁵⁰ This means that due to many—partly historically created—weaknesses such as relative underdevelopment; divergence of economic interests; heavier reliance on outsiders than on each other; technological connectedness to external partners; etc. they can hardly approximate the economic strength of Japan. Thus the member states, either alone or as a group, are weaker than Tokyo. This means that theoretically there is hardly any chance for them to overcome Japan in their bilateral (Japan-ASEAN) relations or in their connections

⁴⁹ According to World Bank data and estimation, Japan occupied the third place in the world economy with USD 4,872 billion (calculated in current prices). The overall growth rate of the country was estimated to be 1.51 percent in 2017, and a slow-down was expected for 2018. China's similar figure was USD 12,015 billion. Here the growth rate showed significant decline in comparison to the previous decades but was still 6.7 percent, and in 2018 it is expected to develop in a similar pace. Figures calculated on PPP basis describe a somewhat different situation: China is the global 'winner' with USD 23,159 billion, and Japan is the fourth (after India) with USD 5,429 billion (Knoema, 2018).

⁵⁰ Among the member states Indonesia (1,015–16), Thailand (455–26), Singapore (324–37), Malaysia (314–38), the Philippines (313–39), Vietnam (220–46) taken together reach USD 2,641 billion. The smaller, less developed partners cannot be considered significant in this respect (Myanmar: 66.5; Cambodia: 22.3; Laos: 17.0; Brunei: USD 12.7 billion). On the basis of PPP, the values are as follows: USD 3,243 (Indonesia: 7), 1,234 (Thailand: 20), 931 (Malaysia: 26), 876 (the Philippines: 29), 647 (Vietnam: 35) 527 (Singapore: 38) and altogether they constitute USD 7,458. (All figures are calculated in USD billions. The supplementary figure indicates the position of the given country on the global list) (Ibid.).

with third parties. Furthermore, the ties are, again, weakened by the fact that for the last decades both Japan and ASEAN have shifted attention from each other towards Beijing. However, precisely this factor and the growing dependence on their Chinese ties facilitated their increasingly 'cordial' ties. The more they (ASEAN and Tokyo) get closer to the PRC the more they need each other to create a counterweight.

At the same time, it would not be correct to claim that within these relatively unbalanced power-relations ASEAN does not have the means at its disposal to defend its own interest. In addition to the political and security considerations of any outside power claiming interests in Southeast Asia, the regional organization can significantly strengthen its appeal by showing unity. Through the implementation of the ASEAN Economic Union project, the members can consolidate their regional economic position. Through their harmonized policies the local states can still offer Japan and its companies many elements, both in the production and service areas that are desirable for these latter actors. The ASEAN states can also gain a lot from this bilateral cooperation, and as a solidly united political entity with some (less commendable) economic achievements, it constitutes a good partner for all the major economic powers, from Europe to North-America, and because of this it can be in an enviable bargaining position vis-à-vis Tokyo.

A basic contradiction can be observed in these bilateral relations: though Japan lost its commanding position in Southeast Asia, it is in a slightly better position to advance its interest than any time in the past. To be sure, it must compete with many partners, especially with China, but it is in a quiescent position as the ASEAN-members should not be afraid of its political aspirations and might welcome Tokyo's presence in Southeast Asia. In the political and security arenas the two parties can assist each other to withstand the domination of China. Still, Japan must learn certain lessons. It must show tactfulness in its international policies and reread its history.⁵¹

Regarding the more concrete economic elements of the bilateral cooperation, some factors depend on the position of the two sides while others are related to third parties. In Japan's case the most important economic question is its revival as a relatively fast developing economy. In the last couple of years Japan could not fulfill the economic expectations.⁵² Abenomics, introduced by the present Prime Minister, also tried

⁵¹ As mentioned earlier, the Japanese must learn that the enmity showed towards them does not originate only from their better economic position but from certain behavioral features that contradict the expectations of the local people (Er, 2000, p. 138).

⁵² As mentioned earlier, the exploration of the likelihood of the acceleration of the Japanese development was carried out by a high level team of economists, including Nobel-laureate Lawrence

to make corrections.⁵³ Its results in stimulating growth should not be underestimated, although the clearly drastic breakthrough could not be achieved so far. While the economic revival led to an increase in GDP, no new economic 'miracle' was achieved. Instead of reaching the targeted 3 percent, the economy grew at a 0.65 percent rate between 2000-2010.⁵⁴ No great achievements occurred in the monetary policy or in handling the demographic issue, and, as one of the most important element, which in this respect was a serious failure of Abenomics, no substantial development could be realized in the restructuring of the Japanese economic and business environment. Needless to say, the financial crises of the previous decade also shook Japan (like many of its competitors). Nevertheless, what really counts from the long-term perspective is the further weakening of the country's position, and its relative inability to keep pace with competitors.

Japan's regional position is further complicated by the American attitude towards East Asia, in general, and the Asian security question, in particular. At the time of writing this study, it is very difficult to predict how Washington will direct its policy towards China, not only in the sphere of trade but also regarding the questions of power relations and security considerations. Moreover, the American attitude will have a direct impact both on Japan, ASEAN and their bilateral relationship. The Trump administration has disengaged itself from the previous, cautious but clear policy of acknowledging the rise of China, and maintained its formidable presence (or deterrence) in Asia. President Trump's policy has not crystallized yet, which makes Tokyo and ASEAN uncertain. This unpredictability of American presence or the abandonment of this region can forge the collaboration of these two partners with the aim of strengthening their position against the rising power of China. On the other hand, as both actors expect more gains from their cooperation with Beijing than from the other party (Japan or ASEAN), they will be more inclined to forget about the

R. Klein. This team used a method of simulation on the basis of the data from the first years of the century, and came up with a comprehensive, rather positive and optimistic proposal (see Adams et al., 2008; Chapters 12, 13, and 14). It was stated by the team that the Japanese economy had the potential to increase the pace of its development (Ibid., p. 143 and p. 144) and recommended changes in policy and organization. At the same time they also seemed to be aware of the difficulties concerning cultural and organizational changes and referred to other hindrances. Considering the trends and economic events of the last 10-15 years, it can be stated that Japan could not radically improve its internal and external economic situation (Adams et al., 2008; Chapter 12).

⁵³ The economic policy of the Japanese Prime Minister is widely elaborated in the literature on economic and political science. See as examples the works of Wakatabe, Mayger-Reynolds, McBride-Xu and many others, used also in this study.

⁵⁴ In a paper entitled 'Lessons of the Lost Two decades of the Japanese Economy' (2011) Ichimura summed up the causes of decline and unsatisfactory functioning (Ichimura, 2015; Chapter 2).

long-term interest and sacrifice these long-term needs for more immediate profits. This concerns both political and economic factors.

Some tools, as TPP-11, could provide the opportunity for getting closer to each other, although this (or any other similar scheme) hardly substitutes the influence and weight of the USA in re-balancing the regional order and power relations.

These developments might enforce Japan to drastically reconsider its national security strategy⁵⁵, including its economic relations with ASEAN and its members. It is clear that these two actors are interested in strengthening themselves as much as they can in order to defend their security interests and also to see the growing strength of their partner (Japan and ASEAN) as an additional guarantee for their own ability to withstand the weakening of their economic (and political and security) position. However, the question arises once again: how can they overcome the contradiction between their short and longer term interests? Japan is interested in forging an ASEAN Economic Community, although a stronger organization might make its bargaining position weaker. ASEAN should be interested in the stabilization and growth of Japan as a possible ally in its contest with China, however, it is dubious whether it can really get from Tokyo what it can receive from Beijing, and perhaps at better terms.

While the future of the Japan-ASEAN relations depends on a great number of 'internal' issues, it is still difficult to hide that seemingly none of them is as important and has a more serious impact on the progress ahead than the China factor.⁵⁶ As mentioned above, the local states have different opinions regarding the handling of the China-factor. In this context, local actors are inclined to point at the rivalry of these two giants though they already know that the PRC and Japan are not at the same level anymore. To be sure, they can see that Abe Shinzo is ready to resist China, and in this respect ASEAN can rely on Tokyo. The question is for how long?

⁵⁵ For a short description of some of the components of this question see Singh (2017).

⁵⁶ It is clear that the future Southeast Asian position of many actors, from India to Australia, is linked to the role assumed and the behavior conducted by Beijing. Japan and the PRC are the strongest contenders here and the success or failure of Japan to counterbalance the weight and influence of China might have a decisive effect on the positions of others, inside and outside the region.

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