

**JAPAN-ASEAN ECONOMIC RELATIONS:
AN INTERDEPENDENT ECONOMIC RELATIONSHIP?**

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INTRODUCTION

After its defeat, Japan slowly recovered, eventually emerging as an economic superpower. Today Japan is the single most important economic power in the Western Pacific region, and a major economic influence in the world. Japan's success in re-entering Southeast Asia was all the more remarkable in view of the fact that most countries in the region maintained strong economic links with their former colonial masters. The economic ties between Japan and Southeast Asia have now become so intimate that other aspects of what is really a very complex relationship tend to be forgotten. This article attempts to do no more than examine, in a broad and rather general fashion, the economic relationship between Japan and Association of Southeast Asian Nations (ASEAN). The objective is to see whether the relationship is one of mutual interdependence or simply one of dependence. Natural resources, markets, the geo-strategic and geo-economic importance of regional trade, investment and aid will be discussed in this context. So too will Japan's Comprehensive National Security Policy and its significance, especially its impact on Japan's Official Development Assistance (ODA).

BACKGROUND

Within a single generation Japan has entered into Southeast Asia twice, first as a military power under the banner of the Greater East Asia Co-prosperity Sphere, second as an emerging economic power in search of raw materials and markets, in the context provided by United States (U.S.) regional containment strategy.

Between 1952-1963, Southeast Asia was Japan's largest foreign market. It was here that Japan gained the foreign exchange necessary to cover what was then its vast trade deficit with the industrially more advanced United States and Western Europe. Since Japan's economic take off, trade with the United States has been balanced in Japan's favor.

Japan's penetration of postwar Southeast Asia took place against the background of the anti-colonial movements and the gradual collapse of the European empires in the region. Through war reparation aid and loans of various kinds, Japan began to build up a strong base for her future economic expansion.

AN INTERDEPENDENT ECONOMIC RELATIONSHIP?

Is the economic relationship which has developed between Japan and the ASEAN countries in this context one of genuine mutual interdependence, or has ASEAN simply become dependent on Japan? This is a vast and complex question, but the analysis which follows will seek to suggest some possible answers.

NATURAL RESOURCES

Japan's lack of natural resources and the fact that the Southeast Asian region possesses such resources in abundance makes ASEAN vital to Japan. Japan is dependent on ASEAN for much of its tin, oil, rubber, timber and foodstuffs such as vegetable oils, sugar and tropical fruits. Indonesia is the leading exporter of crude oil, nickel, tin and copper ore to Japan. The 1973 oil crisis in the Middle East increased Japan's interest in importing oil from Southeast Asia and other relatively stable area closer to home. By 1984, oil consisted of 59 percent of total Indonesia's exports of Indonesia to Japan.¹ Much of Japan's palm oil, lumber and natural rubber comes from Malaysia. Japan is a highly industrialized state and stable supplies of raw material are essential for its economy. For their part, the countries in the region are still at an infant stage of industrial development and depend heavily on exports of raw materials and primary products. This fact creates a relationship of genuine economic interdependence. In 1982, the ASEAN region supplied 50 percent of Japan's nickel, 40 percent of its timber, 30 percent of its natural gas and 35 percent of its copper ore.² In 1988, 65.5 percent of Japan's natural rubber came from Thailand and this figure increased to 77.5 percent in 1995.³ In 1988 Malaysia provided Japan with 26 percent of wood. In the same year 14.3 percent of Japan's oil came from Indonesia.⁴ In 1995, 42.6 percent of Japan's heavy fuel oil imports, 21.7 percent of its copper and 55.3 percent of its nickel ore came from Indonesia.⁵ In the same year the ASEAN Seven provided 21 percent of Japan's fish and shellfish. The Philippines, at the same time, provided 12.4 percent of Japan's fruit.⁶ While it is no doubt true that Japanese interests, through a variety of strategies, including ODA and investment, may heavily influence the terms of trade, it is also true that Japan cannot survive and develop as an economic power without ASEAN. Table 1 gives a general overview of the Japan-ASEAN trade relationship at the present time.

Undoubtedly Southeast Asia is one of the most important strategic regions in the world. Since the 15th century, clashes to control the waterways of the region took place among various Western powers such as the Portuguese, the Dutch and the British. The strategic locations of Malacca in Malaysia, of Aceh in Sumatra and later of Singapore were the reason for their emergence as Portuguese, Dutch and British trading ports. The strategic lessons of these earlier centuries were confirmed in World War II, when the Japanese seized control of the region. For contemporary Japan too, the region has lost none of its geo-strategic and geo-economic significance. As Chaiwat Khamchoo observes: "About 60 percent of Japan's oil

Table 1: Major Items of Japan-ASEAN Trade

Countries	Major Exports of Japan	Major Imports of Japan
Indonesia	Machinery Equipment, Metal Products, Chemical Products, Vehicles, Textiles.	Mineral Fuels (natural gas, LNG crude oil), Metal Ores and Scrap.
Malaysia	Machinery Equipment, Metal Products, Chemical Products, Vehicles.	Consumer electronics (TV, VCRs, Radios), Forest Products. (Palm Oil, Natural Rubber), Mineral Fuels, Vegetables Products and Animal.
Philippines	Machinery Equipment, Metal Products, Chemical Products, Vehicles, Plastics.	Vegetables Products (Bananas, other tropical Fruits), Fish and Shellfish.
Singapore	Machinery Equipment, Metal Products, Chemical Products, Vehicles, Textiles, Plastics.	Mineral Products (kerosene, aromatic hydrocarbon), Animal Vegetables Products.
Thailand	Machinery Equipment, Metal Products, Chemical Products, Vehicles.	Animal and Vegetable Foodstuffs, Plastic Materials, Leather, Metal Product.

Source: Compiled From: "ASEAN in Figures", JETRO, 1998

imports and 40 percent of its foreign trade are transported via the Straits of Malacca and the Lombok Straits.”⁷ Many of Japan’s imports from Australia and even from New Zealand, too, pass through Indonesian waters.⁸ It is for this reason that the Japanese set up the Straits of Malacca Council to carry out hydrographic surveys, to develop navigational aids and conduct tidal and current studies, in order to improve navigational routes and ensure the safety of shipping passing through the Straits.⁹ Instability in the region could affect Japan’s interests greatly.

TRADE AND INVESTMENT

Japan is an extremely important trading partner for most of the ASEAN countries. As shown in Table 2 Japan has always had a trade deficit with Indonesia and Malaysia. This means that it imports more from these countries than it exports. Table 3 shows that more than fifteen percent of ASEAN exports go to Japan. Japan was the most important trading partner of Indonesia between 1979-1996. Malaysia and Thailand derived their imports mostly from Japan. Japan was among the top three export destinations for Malaysian goods between those years. Japan has been the top export destination for Thailand only between 1979-1982 and since 1983 it has ranked in second place. Between 1979-1991 Japan was Singapore’s third export market, falling to fourth rank from the year 1992. Japan has always been the second most important destination for Filipino exports (after the United States) and was the country’s second source of imports in the years 1979, 1989 and 1993-1996. This shows that the region’s export industry is heavily, but by no means exclusively dependent on Japan. Japan’s trading partnership with ASEAN economies is significant and will have an underlying influence in shaping any plausible trading policy of these countries in the foreseeable future. A decrease in the volume of Japan’s trade with ASEAN and the failure of ASEAN’s efforts to increase its trade with other countries could have deleterious effects on the regional economy. This does not imply, however, that ASEAN is totally dependent on Japan. Rather, it implies a high degree of interdependence.

ASEAN is an important region for Japanese investments. Japan is, in fact, the top investor in most of the ASEAN countries. According to the Ministry of Finance, Japanese total accumulated foreign investment in ASEAN countries between 1951-1995 amounted to 24.5% of Japan’s world total investment.¹⁰ Japanese interest in the region is closely connected with the country’s lack of natural resources. Japanese foreign investment is mainly resource-oriented. Other factors impelling Japanese investors to take an interest in the region are the ASEAN nations’ lax anti pollution policies, the high cost of Japanese labor and the lack of sites to build factories at home. Japan’s investment has focused particularly on the development of oil, natural gas, copper, etc. It is for this reason that most of its foreign investment has been directed towards Indonesia. As can be seen in Table 4, the proportion of Japan’s total investment in ASEAN directed towards Indonesia was 41.35% in 1984, 35.7% in 1987, 44.3% in 1992 and 30% in 1995.¹¹ In contrast, Malaysia received 5.6% of Japanese investment in ASEAN in 1984, 18.2% in 1992, 10.3% in 1995.¹² Singapore in 1987 received 32.4% and 22.3% in 1995.¹³ Vietnam became the recipient of an increasing volume of Japanese investment after it became part of ASEAN in 1995. Between 1993 and 1995 Japan’s

**Table 2: Japan's Trade with ASEAN 5 (Japanese Statistics)
(U.S.\$ Million)**

	1984	1987	1992	1997
Total ASEAN 5 Export	14030	15679	40595	76596
Total ASEAN 5 Import	20040	18584	30142	45218
Balance with ASEAN	-6010	-2905	10453	31378
Malaysia Export	2869	2188	8128	16802
Malaysia Import	4402	4814	6556	10545
Balance	-1533	-2626	1572	6257
Singapore Export	4602	6063	12981	23006
Singapore Import	1773	2081	3094	6849
Balance	2829	3982	9887	16157
Indonesia Export	3067	3017	5582	9969
Indonesia Import	11414	8499	12239	14199
Balance	-8347	-5482	-6657	-4230
Thailand Export	2420	2982	10384	19719
Thailand Import	1037	1815	5950	10130
Balance	1383	1167	4434	9589
Philippines Export	1072	1429	3520	7100
Philippines Import	1414	1375	2303	3495
Balance	-342	54	1217	3605

Source: DOTS (Direction of Trade Statistics Yearbook, IMF, Various Issues).

**Table 3: ASEAN States Export to the World and Japan
(in U.S. \$ Million)**

	1979	1984	1989	1994
ASEAN 5 Export to the World	50807.9	75317.21	120105.4	233258.7
ASEAN 5 Export to Japan	13490.2 26.50%	18377.4 24.40%	22099.4 18.40%	34988.8 15.00%

Source: "Key Indicators of Developing Asian and Pacific Countries", Asian Development Bank, 1997. ASEAN 5 exports to Japan are shown as a percentage of ASEAN 5 exports to the world.

investment in Vietnam amounted to U.S.\$380.6million. Between 1995 and 1996 there was an increase of 46.4% in Japanese total investment in Vietnam.¹⁴

The ASEAN regions' huge and attractive market is important to Japan. The population of ASEAN Seven, 425.1 million as of 1996, constitutes a huge purchasing power for Japanese industrial and other exports.¹⁵ In 1982, 11.2% of Japan's total exports were directed towards this region. With the increase in trade protectionism in the EEC and the United States, the ASEAN markets may become increasingly important for Japan.

The 1985 Plaza Accords precipitated a dramatic increase in Japanese investment in ASEAN. This was because of the rapid appreciation of the yen, which rose over thirty percent to 168 yen to a dollar in the wake of the accords. In order to reduce manufacturing costs and have access direct to consumer markets many of Japanese companies moved overseas at this time. Between 1985 -1987, Japanese investment in ASEAN countries rose by 38.6%. The rise in yen and the pattern of falling oil and other raw material prices caused Japan's interest to shift strongly from an earlier focus on natural resources development to manufacturing and retailing.¹⁶ On a geographical basis, too, there has been a relative shift from investment in Indonesia towards Singapore, Thailand and Malaysia. Japan's investment in Singapore, Malaysia and Thailand increased by 54.3%, 70.6% and 79.1% respectively between 1987-1995.

Furthermore, the geographical proximity of the ASEAN countries made it even easier for Japan as the parent companies could supervise their investments in the region closely.

Not only that but the attractive government incentives and general policy framework established by ASEAN countries for foreign investors are factors con-

tributing to the rise of Japanese investment. Singapore, for example, has been very active in restructuring its economy and upgrading its work force, thus bolstering the country's potential role as a high-tech manufacturing center and a regional headquarters for Japanese and other foreign companies.¹⁷ Thailand, too, with its duty free access to the U.S. market, its relatively large domestic market, its favorable economic policies and comparatively low wage rates has attracted Japanese investors.¹⁸ Malaysia also attracts Japanese investors as the country gives tax exemptions for the first five years of a company's operation.

The possibility of China replacing ASEAN as the main focus for Japanese investment is often mooted. Japan is, of course, investing in China as well as in ASEAN, since it wants to have good relations with this emerging power.¹⁹ China, with its vast population can offer an abundance of inexpensive labor. Yet its relative lack of raw materials is one reason why the chances of a decisive and overwhelming shift in Japanese focus is not great. For example China's oil supplies are less accessible and less attractive to Japan than those of ASEAN. At the same time, a complex and difficult historical relationship, the character of Washington's attitude to Peking and Taipei, and the constraints of the Japan-U.S. security treaty system will all combine to place constraints on the development of Sino-Japanese ties.

From the ASEAN perspective, external trade and Foreign Direct Investment (FDI) are indispensable to the region's socio-economic development. Investment facilitates economic growth, raises the level of technological development and work force. Until the Asian economic crisis, the steady increase in helps overcome unemployment. Japan's plants in the ASEAN countries have absorbed a large employment rates and the increase in gross domestic product (GDP) of all ASEAN countries provided clear indications that the impact of the economic relationship with Japan was generally positive. Between 1978-1987, the employment rate in Indonesia, Malaysia and Singapore improved by 24.5%, 31.4% and 26.5% respectively.²⁰ Between 1987-1995 employment in these countries increased by 25.5%, 25.7% and 12.1% respectively. In Malaysia during the period of 1980-1997, the Japanese invested in a total of 1820 projects in the manufacturing industry, creating altogether 299,547 jobs for Malaysians.²¹ Apart from this, transfers of technology confer enormous benefits on recipient countries. Transfer of technology includes skills, knowledge and procedures for making products. It also involves transfer of managerial skills and experiences, which helps upgrade technological competence.

It should be noted, however, that there are some Southeast Asia critics of Japanese investment who argue that these investments are designed to create dependence on 'mother firms' or other subsidiaries elsewhere through networks of multinationals. For instance, Japanese machinery is exported to the region in the course of an investment. This ties down local industries in the sense that the machinery is mainly dependent on the supply of Japanese spare-parts and maintenance services. For high profit industries like electronics, it is argued, such investments merely create dependent subsidiaries. Either they simply produce component parts and ship them back to Japan for final assembly or they receive component parts

**Table 4: Japanese Foreign Direct Investment to the ASEAN Countries
(U.S.\$ Million)**

	1984	1987	1992	1995
ASEAN	906	1524	3867	5,341
Indonesia	374	545	1676	1,548
Malaysia	142	163	704	555
Philippines	46	72	160	692
Singapore	225	494	670	1,143
Thailand	119	250	657	1,196
Brunei	-	-	-	15
Vietnam	-	-	-	192

Source: Ministry of Finance, Japan, 1996

from Japan or elsewhere to be assembled locally. Thus the countries in the region can only learn how to produce or put together component parts. They never understand the complete production cycle of the goods.

ECONOMIC ASSISTANCE

Japan became an aid donor to the region in 1954 through the Colombo Plan. In accordance with the provisions of Article 14 of the 1951 San Francisco Peace Treaty the Japanese were also required to pay reparations to the countries of Southeast Asia that were victims of their aggression during World War II. These war reparations were the predecessors of Japan's aid policy. The aid policy benefited the future ASEAN countries. At the same time it advanced Japan's fundamental national interest at that time, which was to re-enter the region and to gain access to the natural resources necessary for its economic development.²² The nature and objectives of Japan's aid policies, however, changed from time to time in accordance with global and regional trends.

From the beginning the greater part of Japan's ODA has gone to Asia. Among Asian countries, ASEAN members have received the largest share. For instance, between 1986 to 1989, Japan was the biggest donor of aid to ASEAN countries. The revaluation of the yen against the U.S. dollar had the effect of doubling the value of assistance to Southeast Asia. Between 1986 and 1989 total Japanese ODA was U.S. \$22,295 million. Of this U.S. \$14,184 million went to Asian countries,²³ with U.S. \$6,646million being channeled into ASEAN.²⁴ Most of the ASEAN countries (except for Singapore) have been among the top ten Japanese aid recipients. Indonesia was the top aid recipient in 1980, 1987-1992 and again in 1996. Thailand and Philippines too, have always been among the top ten recipients of Japan's bilateral ODA. In fact Thailand was in the second rank in the year 1985. It was replaced by the Philippines in 1986. Malaysia was among the top ten

aid recipients in 1980, 1985, 1987, 1990 and 1992. Vietnam for the first time was among the top ten in the year 1992 and again in 1997. For Japan the direction of economic assistance clearly shows the perceived importance of the region.

Indonesia's special place in Japanese thinking about the ASEAN region reflects that country's position as Japan's most important Southeast Asian trading partner. Among other things, Japan is heavily dependent upon Indonesia's Liquefied Natural Gas (LNG), natural gas, crude oil, copper and others. Indonesia also serves as one of the principal guardians of the sea routes across which Japan's oil is transported from the Middle East. Its huge population too, is valuable to Japan as a source of cheap labor and a market for its goods and services. In 1990, Japan's aid package to Indonesia amounted to U.S.\$868 million in grants and technical assistance focussing on basic human needs and transfer of technology.²⁵

Economic stability and progress in the ASEAN region is of special importance to Japan's security and survival. That is why during the 1980's, when the region entered a period of instability in the wake of the Sino-Vietnamese war and the Vietnamese invasion of Cambodia, Japan's assistance increased enormously. For example, Thailand, which was seen as an immediate victim of the Indochina conflict, received greater Japanese aid. Japanese aid to Thailand increased by 71.5% between 1977 and 1979 alone. Most of this Japanese aid to Thailand was in the form of technical aid. Among the projects in Thailand in which Japan participated were the 'Chanburi-Pattaya' construction project, which cost 4 billion yen, and in the Provincial Power project, which cost 6.1 billion yen.²⁶

The Philippines, geographically close to Japan and strategically located along major shipping route, is also a vital country for Tokyo. The Philippines is, in addition, a close ally of the United States and American military bases in the islands were long judged to be essential for the security and stability of the region. In the early 1980's Japan's aid expansion program was very much orientated towards 'burden-sharing' with the Western alliance. Because of this, Japanese ODA to Manila increased steadily. As Drifte remarked in 1990 "A withdrawal of the U.S bases from the Philippines would be detrimental to Japan's security interest in the region, and a replacement of U.S. forces by Japanese forces would only antagonize Southeast Asia. The only answer, therefore, is economic aid to the Philippines."²⁷ It should be noted, however, that the sky did not fall down when the U.S. military bases in the Philippines were eventually pulled out in 1992. With the withdrawal of the bases, American ODA levels fell off as well, and the Japanese were left as the single most important donor to the Philippines.

Malaysia possesses raw materials and cheap skilled labor, which are vital for the Japanese economy. Its strategic location along the 'life-line' of the Malacca Straits and the South China Sea is almost certainly a factor for consideration when aid decisions are taken in Tokyo. Apart from that, Prime Minister's Mahathir's 'Look East' policy, which sees the Eastern countries, especially Japan, as role models for development might be regarded as an added stimulus for Japan's aid expansion. Dennis Yasutomo observes that "A failure of Mahathir's program would re-

flect poorly on Japan".²⁸

Singapore receives mostly technical assistance. In 1988 this amounted to U.S.\$ 11.2million. Singapore is a minor recipient of Japan's ODA because it is a high-income country. Japan views Singapore as also another guardian of the Straits of Malacca. Singapore, too, promotes a 'Learn from Japan' policy.

To sum up, in the 1960s Japanese aid towards Asia largely served commercial purposes. By the end of 1970s, it was consciously being used as a tool to contribute towards peace and stability, within the framework provided by United States global strategy. Japan also remained conscious of its position as a country with poor natural resources, and, as such, aid was used as a tool to extend her economic influence. In 1977, under Fukuda doctrine, and aid doubling plan was implemented, with the objective of improving Japan's image in Asia. In the 1980s 'strategic aid' assumed larger importance. In the 1990s more emphasis came to be given to environmental and political issues.²⁹ In 1991, Prime Minister Toshiki Kaifu announced four new principles for aid, which were incorporated in the country's ODA charter. These were:³⁰

1. Environmental conservation and development should be pursued in tandem.
2. Any use of ODA for military purposes or for aggravation of international conflicts should be avoided.
3. Full attention should be given to trends in recipient countries' military expenditure.
4. Full attention should be given to a potential recipient country's effort towards promoting democratization and the introduction of a market-oriented economy, and to the situation regarding the securing of human rights and freedoms.

Subsequently, the Environmental Research and Training Center in Thailand and the Environmental Management Center in Indonesia were set up to train locals in administration. The priority given to countries introducing market economies suited ASEAN well, and could also be applied to Vietnam and Cambodia without too much difficulty.

COMPREHENSIVE NATIONAL SECURITY POLICY

The Comprehensive National Security (*sogo anzen hosho*) Policy was the brainchild of former Prime Minister Ohira (1978-1980). However, it was Prime Minister Zenko Suzuki (1980-1982) who finally adopted it as a national policy in 1980. The Comprehensive National Security Policy includes very large economic component. As Suzuki argued:

*"We must not see security from the defensive aspect alone. I consider efforts ought to be made from a wider perspective which will include economy, diplomacy etc."*³¹

This policy "is a long range view of the nation's security requirements that blends recognition of both military and nonmilitary threats to the nation and the need for both military and nonmilitary as countermeasures."³² It is a policy which thus links Japan's political and economic interests. In Eiichi Katakara's words:

*"Comprehensive security calls for an all-embracing, multidimensional and distinctively cooperative approach for ensuring both military and economic security. Within the basic framework provided by the Constitution and the United States-Japan alliance, the concept was refined, broadened and strengthened in response to changes in the international situation of the late 1970's and 1980's."*³³

Or, as Robert W. Barnett explains:

*"In considering the actual national commitments called for by the concept of comprehensive national security, Japan has always confronted the task of reconciling competitive/conflicting strategic interests. Japan has wanted to keep faith with Article 9 of its Constitution. Japan has wanted to avoid behavior likely to excite alarm elsewhere in East Asia, notably in Korea, China and the ASEAN area. Japan has wanted to contribute to effective functioning of a worldwide, nondiscriminatory, competitive economic system through aid, trade liberalization, and collaboration in making structural adjustments in the system."*³⁴

*"Administration of a stable, growth-oriented, and reliably outward-looking/interdependent economic system is the bedrock of Japan's own security and by far Japan's greatest contribution to the security of other countries in the East Asian region. This can be asserted with great confidence because Japan, as a buyer and seller of goods, capital, technology, and management, has been the most steady external contributor to economic growth throughout the entire east Asian neighborhood; that growth has been a precondition for popular acceptance of the legitimacy of governments everywhere."*³⁵

In the wake of the erosion of U.S. Pacific hegemony after the American defeat in Vietnam, China's reemergence as a great power, the collapse of the Bretton Woods System, the two oil crisis (1973 and 1979), the soybean crisis (1973), the Iranian Revolution (1979), the Afghanistan affair and the postwar turmoil in Indochina, Japan's leaders began to fear the possibility of losing access to overseas sources of food and energy. They also began to fear the possibility of losing their credibility as

an active partner in the economic development of Asia.

Increased foreign aid was an essential component of the Comprehensive Security Policy. As the MOFA explained in 1980:³⁶

1. Aid is a necessary "cost" if Japan is to remain a peaceful country.
2. Aid is a necessary "cost" if Japan is to remain an economic great power.
3. Aid can strengthen weak spots in overseas economic dependence.
4. Japan can assist developing nations because of its status as a non-western development model.

Japan's ODA and FDI, as well as technical assistance programs and cultural exchange agreements with China, Korea, the ASEAN powers, the Indian Subcontinent, the Middle East and other areas can all be viewed in the context of the country's Comprehensive Security Policy. So, too, can the concept of "Strategic Aid".

Thailand was perhaps the first test case of the latter. Ohira's concern for 'countries bordering areas of conflict' began to appear in 1978, as American-Soviet relations began to deteriorate after a period of détente. Through this policy, aid was directed to 'countries bordering conflict' namely, Pakistan, Turkey and Thailand. The Cambodian crisis reached a climax on the 25 December 1978. The intervention of the Vietnamese army into Kampuchea was held to threaten Thailand's national security and caused socio-economic instability as the Vietnamese troops were already at the Thai-Kampuchea border. The Thai military found itself engaged in sporadic hostilities with Vietnamese troops who were attacking refugee bases in pursuit of Pol Pot's Cambodian resistance. Therefore, in order to assist Thailand cope with the crisis, Japan froze aid to Vietnam and increased aid to Thailand. The 1981 MOFA Diplomatic Blue Book stated that:

*"Aid to Thai was increased, partly because that nation is a member of ASEAN which receives a major portion of Japanese assistance and partly because it was troubled by the influx of the Indochinese refugees."*³⁷

Between 1980-1984, Japan provided about U.S.\$5.8million to help ease the refugee burden on the Thailand government.³⁸ Aid to Thailand was increased. One fundamental factor of course was pressure from the United States, a country of the greatest importance in Japan's Comprehensive Security Policy. As Chaiwat Khamchoo notes:

*"Since 1980, Japan has been under international pressure to increase aid to those countries that are located adjacent to the West. The only country within ASEAN that meets these criteria is Thailand."*³⁹

CONCLUSION

This article has attempted to outline the economic relationship between the ASEAN region and Japan. The abundance of raw materials in the region as well as its strategic location is clearly what which has attracted Japan to develop a close association. In terms of trade, investment and aid there seems to be a genuine interdependency in the relationship. The assumptions underlying the Japanese Comprehensive Security Policy show that this interdependent relationship has the possibility of further development.

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