CHAPTER FIVE

INTERNATIONAL RESPONSE TO EAST-WEST ECONOMIC CORRIDOR

The Greater Mekong Sub-region (GMS) is a vast expanse of fertile land with abundant natural resources that offers the potential for huge market and broad prospect of co-operation. On the other hand, most of the regions are under-developed, over-populated and geographically isolated. Besides, almost all the GMS economies depend on agriculture and industry which are not well developed. As a result, the countries of the region are opening their economies to foreign participation to transform themselves into a market-based economy. As the region is brimming with economic activities and taking advantage of the economic liberal policies adopted by the GMS countries, various countries like China, Japan, United States, Europe and several other developed countries as well as international organisations like Asian Development Bank, ESCAP and the Mekong River Commission are diverting their resources to invest in the region's developmental programme.

The GMS programme has taken a big leap forward mainly because of the large inflow of foreign capital into Southeast Asia and thus, one witnesses the governments of the region introducing more economic reforms. Some co-operative fields and co-operative projects have already been completed or are about to be completed, while several other trans-national infrastructure projects have been listed in the investment plan or loan plan. Donors has been assisting the GMS in almost all of the sectors at the national, regional and sub-regional level, including development policy analysis, human resources development, natural resources and environmental management, rural development, social development, tourism promotion, trade and investment promotion, transport and infrastructure development.

According to Asian Development Bank Reports since 1960s upto the 1990s, Japan has invested about US$ 61.9 billion in ASEAN, while the United States and the European Union (EU) investment were recorded to be more than US$ 40 billion and US$ 30 billion respectively and Taiwan about US$ 30 billion. Vietnam and Cambodia are becoming new investment hot spots of this region. This is clearly indicated by the change in their investment policies. Up to 1998 only around 56 countries have invested in Vietnam, but in due course of time the total numbers of investment projects have risen to 1928. Subsequently, the foreign capital projects being built in Vietnam have reached US$ 24.4 billion, US$ 6.9 billion in Laos and US$ 3.2 billion
in Myanmar. Every year about US$1 million are invested in this region through international funding.

The GMS have drawn international attention over the years; this is clearly reflected in the series of the initiatives and programmes that have been introduced over the year. The adoption of a resolution on the *Decade of the Greater Mekong Sub-region in Development Cooperation, 2000-2009, placing this sub-region at the forefront of the Asia-Pacific development agenda* in 2000 by the Economic and Social Commission for Asia and the Pacific (ESCAP) is one such examples (Dr Surakiart Sathirathai).

**Economic and Social Commission for Asia and the Pacific**

Economic and Social Commission for Asia and the Pacific (ESCAP) by virtue of holding its unique position as a United Nations body has played a great role in GMS for many years. Sisira Jayasuriya reports that since the early 1950s, ESCAP has been actively engaged in promoting integration of the Southeast Asian region, and collaborated with the Greater Mekong Sub-region Economic Co-operation Programme, the ASEAN Integration initiative and several other regional integration initiatives (Jayasuriya 2002). One such example of its activities in the Mekong sub-region is the establishment of the Mekong Committee by ESCAP in 1957. The Mekong Committee was established by ESCAP because integrated sustainable development of the Mekong River Basin has long been a major objective of ESCAP (Pyakurya 2004: 107-111).

Since the early 1950s, ESCAP has been favourably collaborating with various GMS activities in the region in an un-prejudiced manner. According to Sisira Jayasuriya, ESCAP is not perceived as a domineering body that attempts to impose its particular paradigm on regional governments or societies. It is accepted as a friend and partner, willing to assist constructively and impartially. Given this favourable perception, and ESCAP’s access to a network of inter-governmental and civil society contacts in the region, arguably ESCAP is probably the best equipped to play this role of an impartial friend and arbiter within GMS (Jayasuriya 2002). He further states that apart from having the advantage to “play as an honest broker,” ESCAP can also use its technical expertise “to draw on wider regional and global experiences and mobilize resources.” As a result, ESCAP has a natural comparative advantage in facilitating,
coordinating and assisting activities that focus on regional cooperation and integration (Jayasuriya 2002).

By the early 1990s, ESCAP’s assistance in the GMS has expanded to a wide range of sectors. In particular, ESCAP is currently working with five different frameworks to provide technical assistance for the development of the private sector in the sub-region.

1) *Forum for the Comprehensive Development of Indo-China*

ESCAP has been closely associating with the Forum for the Comprehensive Development of Indo-China since its inception in 1994. The Forum, an undertaking initiated and supported by the Government of Japan, seeks to promote sub-regional development through co-operation among the Indo-China countries, namely Cambodia, Laos, Myanmar and Vietnam, as well as through co-operation with the neighbouring countries (China and Thailand) and the international community in general.

ESCAP’s activities under this Forum focus mainly on the development of the private sector in the sub-region. These activities include meetings of the Private Sector Advisory Group, net-working among chambers of commerce and industry, TCDC activities for human resources development, seminars for the private sector on WTO agreements, tourism promotion, as well as Small and Medium-sized Enterprises (SMEs) development, privatisation and the development of plan of actions to promote women’s participation in economic development in Indo-China. ESCAP has been implementing various activities under the new phases of the project in the years 2001 and 2002, including i) human resources development for the GMS business sector; ii) strengthening GMS business associations strengthening; iii) institutional capacity building for trade policy reforms; iv) workshop on corporate strategy and external investments in the GMS; and v) workshop on Asian economic integration and international production networks.

2) *Advisory Assistance to Industry for Export Promotion*

It is a project funded by the Government of Germany which aims at increasing the participation of Indo-China in regional and global trade. The target group is small and medium-sized enterprises (SMEs) with export potential in various sectors in the three Indo-China countries. It concentrates on capacity building within institutions,
such as business associations to strengthen existing or build new services for local SMEs with export potential. The activities focus on quality-related issues, such as the development of integrated services in quality management for SMEs and services aiming at improving quality and productivity. Furthermore, the project assists in developing or upgrading the export potential of selected sectors, such as the fishery sector. Efforts also aim at the policy level in creating awareness for the need to improve the framework for exporting SMEs and to enhance government and private sector partnership in implementing export-oriented development policies. Activities undertaken are for instance, training of ministry staff in quality management, the implementation of a capacity building initiative at provincial level and an upcoming conference on export promotion policies and systems.

3) **GMS Trade Facilitation Working Group**

The introduction of trade facilitation measurement and electronic commerce techniques are of increasing importance to improve productivity, business performance and competitiveness at relatively low costs. Therefore, ESCAP has placed on increasing emphasis on strengthening trade facilitation measures through its technical assistance to government agencies and firms. In response to ESCAP’s initiative in this area, the GMS countries have established a Trade Facilitation Working Group under the GMS Programme to improve efficiencies in the conduct of international trade in general and GMS cross-border trade in particular. ESCAP and the Asian Development Bank jointly developed the work programme of the working group, which includes institutional mechanisms; harmonisation of data elements; information contents; documentation and cross-border procedures; and human resources development.

4) **The GMS Business Forum**

The GMS Business Forum (GMS-BF), a non-government body, was established in Bangkok in October 2000 as an initiative of the national chambers of commerce and industry of the six GMS countries, with the assistance from ESCAP and the Asian Development Bank. It aims to promote business activities and investment in the area by building up the capacity of the local private sector, creating stronger linkages between local firms and foreign firms, and enhancing the public-private sector interface in the GMS, including the major multi-lateral agencies. Its
secretariat, located in Vientiane since 2001, is responsible for providing administrative, logistical and co-ordinating support for the activities of the GMS-BF, including the launching of the Internet GMS Business Support Centre, publishing yellow pages of companies in GMS, etc.

In order to balance the interests of the private business community with the interests of the governments and other public institutions, the GMS Business Forum serves as an intermediary. The GMS Business Forum reviews legislative and government policies in the GMS with the interests of the business community in mind and issues and opinions on the timeless and effectiveness of the policies. The GMS Business Forum works out policy alternatives and conveys them to the GMS governments, political parties and other relevant authorities. GMS Business Forum’s services includes: i) business advisory; ii) GMS business support centre; iii) investment promotion programme; iv) export promotion programme; v) support to the visiting trade delegations; vi) sending trade missions; and vii) management and vocational training.

5) The Working Group on the Greater Mekong Sub-region Tourism Sector and the Mekong Tourism Forum

The Working Group on the Greater Mekong Sub-region Tourism Sector has been established through joint efforts of ESCAP and ADB. The Working Group, comprising national tourism organisations, private sector and international organisations, aims to facilitate implementation of the following priority tourism programmes: i) destination marketing; ii) sub-regional events; iii) training; iv) management of natural and cultural resources; v) Mekong/Lancing River tourism development; vi) facilitation of travel; vii) village-based tourism; and viii) GMS tourism flows.

ESCAP, together with ADB, has been collaborating with the Pacific Asia Travel Association (PATA) in organising the Annual Mekong Tourism Forum. The Forum provides a platform for the public and private sectors to discuss sub-regional tourism issues. It also provides excellent networking opportunities for national tourism industry. ESCAP’s recent initiatives have included the meetings of the Working Group, National Seminars on Sustainable Tourism Development and Workshop on Development of a National Eco-tourism Strategy for Vietnam and a Seminar on Expansion of Tourism in the Greater Mekong Sub-region through Improved Air Transport.
Moreover, ESCAP, as the main general economic and social development centre for Asia within the United Nations system has the responsibility for monitoring and supporting the implementation of global mandates, programmes, action plans and multi-lateral agreements at national level. These responsibilities naturally extend to activities in GMS. This opens up enormous opportunities as well as major dangers and challenges. In terms of ESCAP's three core themes, poverty alleviation is bound up with (though not confined to) achievement of rapid and sustainable economic growth. In turn, this is clearly bound up with managing globalisation and many of the emerging new social issues in the region-such as drug and people trafficking, HIV/AIDS are also very closely linked to the rapid pace of economic and social transformation that is under way and the related movements of goods and people.

European Union

The European Union (EU) which emerged amidst great disaster at the aftermath of the deathly Second World War is "the oldest and most ambitious" regional organizations in the world (Barry and Keith 2000: 10). It is known for the successful implementation of its single market and single currency. A unique character of the EU is that it tries to help those less-developed areas within the Union, so as to enable them to "become more competitive and be able to participate in the development of the Union as a whole" (Jora 2004: 96-97). That is why Silviu Jora is of the view that, "GMS countries can learn the idea of the regional economic integration from what the EU experienced, in order to solve regional poverty" (Jora 2004: 96-97). According to him the EU way of functioning is the most efficient way for forging alliances on topics of common interest: co-operation between neighbouring regions with respect to infrastructure and innovative services; development corridors; development of rail, inland waterway and maritime transport and cultural co-operation.

Historically, the first meeting between ASEAN and the European Economic Commission (ASEAN-EEC) was reported to have taken place only at the Foreign Ministerial level in Brussels in 1975. And the First ASEAN-EEC Joint Declaration (Brussels) was signed as late as November 21, 1978. According to the agreement the two groups exchanged extensive views regarding 1) International relations, 2) Regional integration and co-operation, 3) Economic relations, 4) Trade, 5) Commodities, 6) Investments, 7) Transfer of technology, training programme and
scientific co-operation, 8) Development co-operation, 9) Cultural co-operation and 10) Framework of co-operation (Saengchantr 2002: 7). Subsequently, the economic co-operation between ASEAN and EEC was started in 1980.

For the implementation of the projects, Joint Co-operation Committees were established for the borders with the neighbouring countries. The following fields have been and will be financed from EU PHARE funds: Improvement of the existing transport infrastructure; promotion of the environmental protection, especially water resources management; free flow of persons, services and goods through the border crossing points; Socio-economic regional development through the Small Projects Fund.

There is a striking similarity of priorities between the EU financed cross-border programmes and those applied in the MDS such as the improvement of transport infrastructure, water management and the simplification of border procedures for free flows of persons. The agreements signed since 1999 by the 6 Mekong countries on reducing non-physical barriers to the free movement of goods and people across their borders are very important. It is also highly relevant that GMS countries have agreed to pilot test single-stop customs inspection procedures at selected border crossing. Ideas like promoting the sub-region as a single tourist destination and to work towards the possible establishment of a GMS visa are also very suggestive while rather difficult to implement at this stage.

More recently the 12th GMS Ministerial Conference highlighted the importance of speeding up the priority of trans-border projects, including road project. As a result, all mainland Southeast Asian countries would be linked by 2007 when all sub-region infrastructure initiatives in Mekong countries are expected to be completed. In this respect, the EU regional policy in transition countries in the framework of the new neighbourhood cross-border programmes can provide some very useful models for regional development in Southeast Asia and other areas of the world.

The Chinese Responses

The Yunnan province of China shares its border with Myanmar, the Lao PDR, and Vietnam. Being land-locked and situated far away from the economically prosperous mainland area, the Yunnan province's economy did not witness any significant changes despite China opening up to economic reform. However, taking
advantage of the Yunnan's geographical linkage with the Southeast Asian region, in the early 2000s, the Chinese government "introduced an open economy policies, autonomous exportation and importation activities in Yunnan" to develop the interior Yunnan province (Limskul and Taniguchi 1996: 15). In the line of this policy, Chinese central government established national and provincial economic development zone to attract foreign investment by authorising "the provincial government to approve the investment projects not exceeding 10 million US$ and other prefectural government in Yunnan province not exceeding 3 million US$," (ibid: 14). It is alleged that the main reason for China's participation in GMS co-operation is to develop China's landlocked western provinces. This change of China's foreign policy was perceived as the direct result of the change in the nature of world politics from being determined by military alliances in the pre-cold war era to being determined by the market economy in the post-cold war.

Jorn Dosch and Oliver Hensengerth (2005) stated that "China's interests in the Mekong region can roughly be divided into two realms of importance: those of the domestic and foreign policy. The domestic interest consists in the development of China's western landlocked provinces and the promotion of border trade with the adjoining countries, Burma, Laos, Vietnam." They further stated that as far as Beijing's foreign policy strategy is concerned, GMS serves China's interest of strengthening relations with ASEAN in the policy areas of political, social, economic and security cooperation and can be used as a vehicle to promote the development of the proposed China-ASEAN Free Trade Area. The development of the China's landlocked Yunnan province is equally important for the people of Yunnan because of the fact that "the distance to the sea at Laem Chabang in Thailand or the Gulf of Mataban in Myanmar is shorter than the same distance to the eastern coast of China" (Krongkaew 2004: 980).

After the end of the cold war, China's foreign policy mainly focuses on attracting trade and investment in its Southern province, signing various agreements with the Southeast Asian countries. For instance, the signing of the Draft Agreement on Commercial Navigation on April 20, 2000 by the ministers of the PRC, Lao PDR, Myanmar, and Thailand on Lancang-Mekong River is one such example. This agreement, which comes into effect in June 2001 agreed to facilitate freer flows of goods and people as well as facilitate trade along the Lancang and Mekong River.
Subsequently, in November 2002 China signed the Framework Agreement on China-ASEAN Comprehensive Co-operation and in October 2003 joined the Treaty of Amity and Co-operation in Southeast Asia, becoming the first non-ASEAN signatory to the treaty. At the same time ASEAN also became the first regional organisation to maintain a strategic partnership with China. Speaking at the Sixth China-ASEAN Summit on 11, April 2002, Chinese Premier, Zhu Rongji stated that China will give Most-Favored-Nation status to the three non-WTO members of the Southeast Asia region (Viet Nam, Laos and Cambodia) and train about 500 IT professionals of ASEAN. \(^1\) Bilaterally, in 2002, China had assured Laos to provide $30 million in interest-free loan and grant to improve the road in Laos as part of the Kunming-Bangkok Road project. Further, China agreed to provide funds for the comprehensive renovation and construction of the Kunming-Hekou Railway in support of an early connection of the Pan-Asian Railway. China is also providing Zero Tariff Treatment for the majority of their exports to China coming from less developing countries of the region like Cambodia, Laos and Myanmar (Zhu Rongji 2002). Further, China had also signed an economic co-operation agreement with Malaysia which include a $ 400 million railway projects.

With Thailand, China agreed to sign a MOU to explore the feasibility of joint investment in laying transmission lines so that excess power can be sold by China to Thailand (Panitchpakdi 2001: 265-273). Former Thailand Deputy Prime Minister and Minister of Commerce (1997-2001) Supachai Panitchpakdi, (2001) optimistically stated that “the sub-regional project offers a great opportunity for China to expand her trade with other GMS countries as the region has a huge market, with a total populations of about 250 million and an overall Gross Domestic Product (GDP) of about 190 billion USD.” The change in China-ASEAN relations was clearly manifested in its economic relations. Chinese Premier, Wen Jiabao (2006) stated that China trade had grown from merely “eight billion U.S. dollars in 1991 to over 130 billion U.S. dollars in 2005” and by the end of 2005 “ASEAN countries had set up close to 30,000 investment projects in China, with a total investment of about 40 billion U.S. dollars.”

\(^1\) The then Premier of the People’s Republic of China, Zhu Rongji in his address to the Sixth China-ASEAN Summit (11, April 2002), stated that China will give special economic status to the Southeast Asian countries. For detail speech see, Zhu Rongji (2002), “Pushing Forward China-ASEAN Relations into A New Stage of All-round Development,” Speech of His Excellency, Mr. Zhu Rongji Premier of the People’s Republic of China at the Sixth China-ASEAN Summit on 11, April 2002, http://wcm.fmprc.gov.cn/ndtj/eng/zywjs/270551.htm
China not only tried to develop its relations with the Southeast Asian countries economically but politically and militarily as well. The signing of a Land Border Treaty with Vietnam in December 1999 and the signing of the Agreement on the Delimitation of the Territorial Seas, Exclusive Economic Zones, and Continental Shelves in the Gulf of Tonkin and the Agreement on Fishery Co-operation in the Beibu Gulf on December 25, 2000 is a clear example of such policy. In March 2005, national oil companies from China, the Philippines, and Vietnam signed a landmark agreement to conduct joint prospecting for oil and gas in the South China Sea (Wen Jiabao 2006). Kuala Lumpur and Beijing also signed a memorandum of understanding on maritime co-operation in August 2006.

China and Vietnam have had a checkered relationship over the last five decades but have been fruitful. Between the 1950s and 1970s, Beijing was a strong supporter of Hanoi’s anti-French and anti-American causes, both providing significant amounts of materials (RMB ¥20 billion) and sending over 320,000 PLA air defense and engineering corps troops to the North. Bilateral trade also flourished, growing from U.S $32 million in 1991, to $3.6 billion in 2002, and continued to grow, registering a record of $8.2 billion in 2005 (Wen Jiabao 2006).

China relations with Myanmar began as late as 1990s. Taking advantage of the economic and military sanctions imposed “on the military junta by the international community in the wake of its ruthless suppression of the country’s democratic movement, Beijing provided up to U.S. $1.4 billion in conventional weapons to the State Law and Order Restoration Council (SLORC),” which consists of “ground-based radars, anti-aircraft guns, small arms, 24 F-6 and F-7 fighter aircraft, 100 T-69 II main battle tanks, 100 T-63 light tanks, 150 T-85 armored personnel carriers, 144 air-to-air missiles, and four patrol boats.” Besides, it was reported that a naval base on Hainggyi Island as well as setting up intelligence gathering posts on the Coco Islands was assisted by China (Wen Jiabao 2006).

In 2002 China and Indonesia signed a Memorandum of Understanding (MOU) leading to the emergence of the Indonesia-China Energy Forum. Three years later in April 2005 Chinese President Hu Jintao visited Jakarta and signed an agreement of strategic partnership with Indonesia. During Hu’s visit, President Hu Jintao also assured Indonesian leaders of “$300 million in preferential loans,” promised to facilitate a $10 billion investment in Indonesia’s private sectors, and expanded
cooperation in joint efforts to combat smuggling and maritime piracy” (Wen Jiabao 2006).

Thailand officially recognised China in 1975. Since then, the relations between the two countries have moved on to positive note. Thailand was said to have received various sophisticated weapons like “500 T-69 tanks, some 1,160 T-531 armoured personnel carriers (APCs), and Jianghu-class frigates” from China. It was also reported that “Beijing also made ‘friendship’ priced offers to Bangkok for the transfer of anti-aircraft missiles, diesel-electric Romeo-class submarines, and F-7 fighter jets.” In 1989-1990, “China transferred 200 T-69 main battle tanks (MBTs) to Thailand and in 1991, began delivery of the four 1,800-ton Jianghu-class frigates ordered by the Royal Thai Navy.” China is now recorded to be the third largest trading partner of Thailand. China assistance to Thailand during the Asian economic crisis is worth mentioning. “China contributed $1 billion to the International Monetary Fund (IMF) for rescue efforts during the 1997 financial crisis and extended the Early Harvest Programme to Thailand in the China-Thailand Free Trade Agreement, where Thai agricultural produce is given preferential tariff treatment” (Wen Jiabao 2006).

Speaking at the Summit marking the 15th Anniversary of the Establishment of China-ASEAN Dialogue on October 30, 2006, Chinese Premier Wen Jiabao, Zhu Rongji’s successor reiterated China’s support to the Southeast Asian countries and assured to donate one million U.S. dollars to the ASEAN Development Fund and provide funding assistance of one million U.S. dollars for the relevant projects under the initiative for ASEAN Integration. China would also further train 8,000 ASEAN professionals and invites 1,000 young people from ASEAN countries to visit China (Wen Jiabao 2006).

ASEAN leaders on the other hand have always tried to engage China in their effort to encourage regional peace and security. A clear manifestation of this policy was the initiation of the management of potential conflicts in the South China Sea in 1990, which is an important strategic location of EWEC. They also want China’s political backing for its emergence as the primary driving force in regional affairs. But, in terms of regional affairs the involvement of China has often alerted major powers, especially Japan and USA. Yao Chaocheng (2008) was of the view that China emerging in the political structure of Southeast Asian region directly challenged US traditional strategic interest in Asia. Even some ASEAN members
expressed reservation about the involvement of China into the regional politics with the fear that the Chinese presence may dilute ASEAN objectives. They viewed that China will rise to become an intimidating superpower and a challenging force to the international order" (Chaocheng 2008: 101).

Even Thailand, which is the most developed country in the region, too was cautious in the beginning when the idea of opening up its northern border with Indo-China neighbours and China was proposed fearing that influx of cheap goods and services from China would dominate over local products. However, with the change in the world politics and the rise of China as an industrial power, especially after its entry into WTO, the leaders of ASEAN regarded China entry into the sub-regional cooperation as an opportunity rather than a threat.

Many scholars and policy makers concluded that China’s interest in GMS programme (EWEC) lies beyond economic interest. They felt that Chinese interests in the region were more of an outcome of Chinese policy makers’ comprehensive security strategy to prevent other external power intrusion into the regional politics. Historically, a sensible strategy for a big power is to build a long-term and solid moral and economic basis and wait to be invited in, rather than force its way in. The best diplomacy is to arouse enthusiasm among countries by dealing with them in a way that makes them feel important and appreciated, engaging them without making them feel manipulated, making them feel that the new relationship is their own initiative and in their own interest, winning them over gradually without causing offence. China is on the learning curve now.

India

Though India had close historical and cultural ties with Southeast Asian countries for centuries, it was only after 1991 that India made a conscious effort to reach ASEAN countries under its “Look East policy” (Saengchantr 2002: 2). For decades the Southeast Asian countries failed to attract India’s policy makers because Indian foreign policy mainly focused on Pakistan. The change in the world political environment in the late 1980s, the end of Cold War and the “stagnation in the SAARC process” prompted Indian policy makers to diversify its foreign policy towards the Southeast Asian countries. Ambassador G. Parthasarathy expressing his view on

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1 Ambassador G. Parthasarathy stated that the failure of SAARC compelled Indian policy makers to look towards the East Asia for economic cooperation; Ambassador G. Parthasarathy, “India’s
India’s “Look East” policy stated that, “the rationale for India’s economic integration with the East and Southeast Asia economies emanates from the urgency of overcoming its economic autarchy.”

On the other hand, ASEAN members reciprocated India’s “Look East” policy by recognising India as a sectoral dialogue partner in 1992 and as a Full Dialogue Partner in 1995. Simultaneously, India was invited to join the ASEAN Regional Forum, a multi-lateral security dialogue platform, enabling India to significantly establish and deepen its relations, politically and economically with other Full Dialogue Partners of ASEAN, namely, Australia, Canada, China, European Union, Japan, New Zealand, Republic of Korea, Russia and the United States (Saengchantr 2002: 2). Having felt the importance of developing its relations with the ASEAN countries in 1994, the then Prime Minister of India, Narasimha Rao, delivered the “Singapore lecture” addressing the significance of the relationship with countries in the Asia-Pacific region.

The Phnom Penh ASEAN Summit held in November 2002 can be regarded as a watershed, as it divides the development of India-ASEAN relations into two phases. In the first phase, India-ASEAN relations were mainly tentative and partial. India at this time focused largely on building up her relations with individual ASEAN countries, with different emphasis and values for each. For example, in the trade, investment, and science and technology Research & Development dimension, New Delhi had stronger relations with Singapore, Thailand and Malaysia; in the defence and strategic dimension, India put much stress on her relations with Vietnam and Myanmar; in the area of natural resources co-operation (with energy co-operation in particular), India paid much attention to her relations with Indonesia, Malaysia and Myanmar; while with regard to security co-operation, especially in combating co-operatively against anti-government forces, India attached great importance to her relations with Myanmar and Vietnam. Besides, India has selected Myanmar and Indo-Chinese countries to be its major recipients of economic assistance.

The most outstanding feature of India-ASEAN relations in the first phase is the focus on economic co-operation and trade promotion. In the second phase, the relations between India and ASEAN were much more comprehensive and more institutionalised. India’s participation in the Phnom Penh ASEAN Summit in

November 2002 and the initiation of both “India-ASEAN Summit” and “India-ASEAN Business Summit” have all marked the great-leap-forward of a decade-long “Look East” strategy. It signifies in at least two aspects. One is that ASEAN has acknowledged the economic, political and strategic importance of India; the other is that ASEAN would very much like to deal with India collectively and in unity. Although the second phase of India-ASEAN relations has just started, there already exist three outstanding features:

1) Institutionalisation of Economic Relations

Whether it is the FTA arrangement between India and ASEAN as a whole, or one between India and individual ASEAN members such as Singapore and Thailand, both sides have given high priority to a systematic and institutionalised way to strengthen their economic and trade interactions. The purpose behind such efforts is that both sides want to take advantage of the large-scale effect and mutual complementary pre-dominance in their economic and trade developments.

2) Broadening the Fields of Co-operation

Both sides have decided to include anti-terror issues into their co-operation. India-ASEAN defence diplomacy has moved gradually on a fast track. Joint military exercises, joint patrolling, joint production of certain weapon systems, and joint R&D in the dual-use technologies have been steadily regularised. India and ASEAN have also stepped up their efforts in jointly tackling non-traditional security issues, especially in strengthening their co-operation on the safeguard of SLOCs and combating terrorists and sea-borne pirates. Considering India’s unique geo-strategic position, greater globalised political and economic influence and being the fourth strongest military force, the widening of bilateral co-operation areas is the inevitable result of the rapid development of India-ASEAN relations.

3) Accelerated Pace of Constructing Physical Connections

Although the construction of physical connections-road, railroad, shipping and air interlinks between India and ASEAN started in the first phase, it is in the second phase that such construction has picked up speed. India has made un-remitting efforts to participate in the building up of comprehensive linkages with ASEAN, including India-Myanmar-Thailand highway linkage, New Delhi-Hanoi and further stretching
into the inner-land of Malaysia railroad connection, the Dawei (avoy)-Kanchanaburi road link for ocean-cum-overland inter-modal transit from Indian ports to Myanmar and Thailand, a new plan to link the Andaman Sea and the Gulf of Thailand with an oil/gas pipeline, and to link Port Blair of the Nicobar Islands with Phuket in Thailand in a tourist circuit. Besides, more airline linkages among Indian and ASEAN metropolitan cities are also under consideration. Former Indian Prime Minister Vajpayee declared in the Second India-ASEAN Summit in October 2003 that India would offer a unilateral "open skies" policy to specified Southeast Asian airlines, which will be free to operate daily flights to the Indian metropolitan centres, outside any bilateral aviation pact. In this context, he announced India's unilateral decision to connect all ten ASEAN capitals with four metropoles (New Delhi, Kolkata, Chennai and Mumbai) in India through daily flights without further bilateral discussions.

India's geographical proximity to ASEAN, her pervasive historical, cultural and religious influence in ASEAN and especially the presence of large population of people of Indian origin (PIO) in the region enabled India to develop closer relations with ASEAN (Yahya 2003). The primary objective and immediate drive of India's "Look-East" policy is economic consideration. At the time when the "Look-East" policy was put forward, the Indian economy was just on the verge of bankruptcy with only US$ 1 billion in foreign exchange reserves (affording only two weeks' imports). Indian economists and businessmen during that period had been profoundly impressed and influenced by the "miracle economies" of Asia, especially Southeast Asia. Indeed, no other global phenomenon has had a greater impact on the thinking of India's economists and economic policymakers during that time than East Asia and Southeast Asia's rapid economic take-off.

When Manmohan Singh (the present Indian prime minister) started India's economic reforms with marketisation, privatisation and liberalisation as its core content, ASEAN was regarded as a source of both ideas and capital for the development and modernization for the Indian economy. More importantly, there is a mutual recognition of a complementarity-competitiveness continuum between the emerging ASEAN and Indian economies. India's assets include its large diversified and liberalised economy, huge reservoir of man-power and high-quality but cheap scientific talents, natural resources, industrial base and one of the largest, rapidly growing markets, while ASEAN's strengths are demonstrated by its rich natural resources, know-how, infrastructure, social sector development, investible capital,
elaborate regional and local linkages in trade and industry and large market. In this sense, New Delhi hopes that stronger economic ties with the ASEAN states would enable it to benefit from the dynamism of the larger economic bloc, and enhance India's comprehensive economic strength. The Indian Government even regard ASEAN as an indispensable partner for India in its quest for new global opportunities and a 7-8 per cent growth rate (India, Ministry of External Affairs, Annual Report 1998-99, 2000).

The benefit for India to strengthen her economic ties with ASEAN is firstly demonstrated in the increase on bilateral trade volume and frequent economic exchanges. India imports from ASEAN countries mainly vegetable oils, data processing machines, natural rubber, transport equipment, organic chemicals, textile yarns, timber, etc., while exports from India to the ASEAN countries cover the following sectors: Pharmaceuticals, computer software, textile machinery components, rubber manufacture, leather goods, agro-products, metal scrap, animal feed, gems and jewellery. With the rapid development of hi-tech industries and services, India finds a much larger cooperative field with ASEAN. The Indian Government hopes that India's industries of comparative advantage such as IT, pharmaceuticals and biological technology would help India to expand her market share in ASEAN. At the same time, such close economic interactions would enable India to introduce advanced administration modes and ideas from ASEAN countries.

In recent years, the India-ASEAN arms trade has become an increasingly important part of bilateral trade. Since the 1990s, India's comprehensive capability in R&D in advanced weapon systems has improved substantially. Compared with ASEAN countries, India's weapon systems are not only good in quality, but also inexpensive. Especially with the opening up of the defence production sector for private participation, there is a great scope for Indo-ASEAN cooperation in R&D. By actively participating in the maintenance, upgrading and renovating of the existing weapon systems in some ASEAN countries, India has greatly broadened her defence co-operative ties with ASEAN, and also its share in ASEAN's conventional weapons market. At present, Vietnam, Malaysia, Thailand and Indonesia have very close defence co-operation and arms trade relations with India.

Secondly, there is rapid increase in mutual investment. India's economic relationship with ASEAN also encompasses an active investment component. In recent years, ASEAN countries are increasingly investing in primary infrastructure
sectors, such as roads and highways, tele-communications, ports and airports and tourism, in India. From a negligible investment in 1991, ASEAN investment approvals today in India total over US$ 2.5 billion, with Singapore, Malaysia and Thailand taking the lead. Moreover, ASEAN accounts for a large volume of India's investments abroad. The Southeast Asian region is host to a number of Indian joint ventures. Major areas of Indian investment are software development, gems and jewellery, manufacturing, textiles, chemicals, minerals and metals, among which, infrastructure and telecommunications form the thrust areas of co-operation in addition to the traditional high technology sector and pharmaceuticals. Major government engineering firms from India such as the Bharat Heavy Electrical Ltd (BHEL), Bharat Electronics Ltd (BEL) and private IT majors such as Infosys and WIPRO have all invested in Malaysia (Bhattacharjee 2003). Besides, the top twenty Indian information-technology (IT) companies have a presence in Singapore (atimes 2004).

More importantly, with the final formation of an ASEAN Free Trade Area (AFTA) by 2008, and with the final materialisation of a preferential tariff system known as the Common Effective Preferential Tariff (CEPT) scheme, by the year 2008, the tariffs of fifteen items of goods in ASEAN (vegetable oils, cement, chemicals, fertilisers, pharmaceuticals, plastics, rubber products, leather products, pulp, textiles, ceramic and glass products, gems and jewellery, copper cathodes, electronics, wooden and rattan furniture) would be reduced by a great margin. Indian companies would do well to take advantage of the reduced tariffs by establishing joint ventures in the ASEAN region, since India enjoys great advantage in most of the above items.

Last but not least, with the diversification of India’s energy strategy, Indian oil and gas companies are helping Vietnam and Myanmar to explore and exploit petroleum and natural gas. In November 2003, a consortium of South Korean and Indian companies started exploring the waters off the Arakan Coast of northwestern Myanmar. The estimated recoverable reserve of gas is in the range of four to six trillion cubic feet equivalent to between 700 million and 1.1 billion barrels of oil. It has been accompanied by a blueprint that suggests that the gas will be taken into inner India through an undersea link connecting the Myanmar gas fields to the east coast and an overland line through Bangladesh into northeastern India or West Bengal (Mukherjee 2004). India companies also participated in oil exploitation in Indonesia.
On 8 February 2004, economic and foreign ministers from the BIMSTEC countries, led by India, signed a draft agreement that paved the way for the establishment of a trade zone linking India with Southeast Asia. The agreement calls for tariff reductions and the creation of a new free-trade area by 2017. All these efforts have greatly promoted the economic development and social stability in the northeast region. As an Indian scholar, Raj Reddy once pointed out: “New Delhi's ambition is to change the whole northeast region into one standing point for India's economic entry into ASEAN” (Latiff 2004).

Moreover, in order to deal with the insurgencies effectively, New Delhi has to attach more importance on the improvement of bilateral relations with Myanmar. India and Myanmar share a 1,650 kilometers border between northwestern Myanmar and India's troubled northeastern states. Among the four states bordering with Myanmar, three have been for a long time troubled by armed separatist unrest, and the rebel forces usually escape the hot pursuit of the Indian Army by disappearing into Myanmar. It is said that the northeast military separatists has the protection of the rebel forces in Kachin, Myanmar.

Since the mid-1990s, India has greatly modified her policy toward Myanmar and stepped up her co-operation with Rangoon's military junta. One of the purposes is to ask the Rangoon government to curb infiltration by Northeast separatists and flush out their camps there. The primary measure in this regard is to constantly give generous economic assistances and soft loans to Myanmar. In 1997, India provided Myanmar with US$ 10 million in soft loans; in 1998, US$ 25 million; in 2001, another US$ 25 million; and in 2003, India agreed to provide US$ 57 million credit loan. Most of these loans have been invested into infrastructure sectors. By the end of 2001, the Mora-Kalimu road in the western region of Myanmar was completed under the Indian assistance. On 6 April 2002, India's External Affairs Minister Jaswant Singh visited Myanmar to launch a trilateral highway project linking Thailand and Myanmar with India, which is expected to be completed in two years. India has provided 1 billion rupees for this grand project.

India's “Look East” policy is certainly on the economic, security and political interests of the ASEAN region. Economically, closer relations between ASEAN and India benefit ASEAN in its regional economic development. The economic interest is, in fact, the immediate motivation behind the ASEAN-India mutual approach. Singapore's then Prime Minister Goh Chok Tong, while interpreting ASEAN's new
perception on India’s economic role in this region, pointed out in a metaphor that if ASEAN were a huge plane, China and India would be the two wings (Baruah 2003). This metaphor itself reveals vividly the great importance of India to ASEAN’s economic prosperity.

There are at least three kinds of gains from the close economic relations between India and ASEAN. First of all, the under-developed ASEAN region has benefited a lot. India’s “Look East” policy could not bypass the less developed members of ASEAN (Myanmar, Vietnam, Laos and Cambodia). Moreover, this geographic location has also provided India with the advantage to play a very positive role in these four countries and hence in the whole ASEAN region. So, in this sense, the less developed countries of ASEAN are inevitably the direct beneficiaries of India’s Look East policy, compared with other ASEAN members. For Myanmar, Vietnam, Laos and Cambodia, they are most eager to change their backwardness, especially of their infrastructures, but they lack the much needed foreign capital and science and technology, which an emerging India could provide. In fact, in recent years, India’s sub-regional co-operation mainly focused on these four economically backward ASEAN members. In November 2002 at the First India-ASEAN Summit, India promised to provide the four countries with privilege substantial tariff reduction. Besides, these four countries, in particular Myanmar, have in these years benefited substantially from Indian economic assistance and governmental soft loans. The large scale infrastructural constructions completed or undertaken in this region are the best evidence.

Secondly, the formation of a super large integrated market is being accelerated. With the completion of various transportation networks undertaken in ASEAN, South Asia, East Asia and Southeast Asia would be gradually fused into one united geographical community. And still in the future, when India-ASEAN transportation networks finally connect with China-ASEAN ones, a super-size market with its population of three billion and GDP of US$ 2.5 trillion would come into being. By that time, the flow of goods, capital, people and ideas would become faster and there would be huge economic and peace dividends for all of the members, a blessing especially to ASEAN countries. ASEAN could certainly make full use of its advanced and applicable technology, rich capital, abundant commercial experiences and high efficiency of administrations to benefit greatly from such an enormous market. Such a huge market is especially conducive for ASEAN to sharpen the edge
of its goods in the international markets. Besides, ASEAN would witness a great increase in bilateral trade with China-ASEAN FTA. It is predicted by experts that both China and ASEAN would witness a 50 percent increase of their two-way trade volume. In fact, in the first year of the China-ASEAN trade agreement, bilateral trade hit a record high of US$ 78.25 billion, an increase of 42.8 percent year-on-year, according to Asia Pulse (Morris 2004). In the past ten years, with bilateral economic relations being increasingly close, the bilateral trade volume between ASEAN and India has increased by 16.5 percent annually, much higher than the growth rate (6 percent) of the general ASEAN trade with the outside world.

Further, such a huge market would facilitate ASEAN investors to seek more lucrative places and areas for investments. Here, the Indian market itself is worth mentioning. India has 200-300 million middle class people with a total population standing at one billion. The average tariff of India has reduced dramatically from 300 per cent in 1991 to 25 percent presently. In future, ASEAN would find it much more profitable to invest into such a big emerging market, (Latiff, 2004) especially in the infrastructure sectors. Since India’s infrastructure construction lags very much behind, the Indian Government intends to carry out big energy and transportation projects with the help of FDI. In fact, in the past years, ASEAN businessmen have been putting large sums of FDI in India in crucial infrastructural sectors such as roads and highways, tele-communications, ports and airports, and tourism. ASEAN has indeed become a major player in the FDI stakes in India with Singapore, Thailand and Malaysia in the lead.

The third gain is the speeding up of FTA negotiations and its final establishment. The frequent interactions between India and ASEAN have served as a catalyst in this regard. At present, more and more outside powers are eager to reach FTA arrangements with ASEAN. China, Japan and India have already signed FTA, while the United States has also reached a bilateral FTA with Singapore in 2003 and is currently working on similar deals with Thailand and the Philippines. Japan, New Zealand and Australia have also signed FTAs with Singapore. Finally with free-trade agreements (FTAs) to be completed with China in 2010, India in 2011 and Japan in 2012, the ASEAN region would be transformed into a giant free-trade zone by 2020.

The FTA arrangements and finally the formation of certain common economic community would enable ASEAN to combat with more confidence and successes against any form of financial crisis similar to the 1997 financial crisis, and other
external challenges. However, the economic linkages between Southeast Asia and Northeast Asia are far closer than India-ASEAN economic relations. The trade volume and investment volume are self-explanatory. The India-ASEAN trade volume in 2003 only account for two percent of the total volume of ASEAN trade with the outside world, while ASEAN-China’s trade account for eighteen percent of ASEAN’s total foreign trade.

Southeast Asia is much diversified in the sense of culture, civilisation, religion, language, etc. There is no even distribution of wealth or equal levels of economic development. There is also no political system that is common to all. The historical legacies and mutual suspicions among ASEAN members themselves and between ASEAN and its neighbours, particularly with the great powers, are too obvious to be ignored. In this regard, the key determinants of regional security would be the balance of power and the nature of relations between the great powers, rather than any regional institution. This political logic and grim geographic reality has forced ASEAN to develop strategic relations with as many big powers as possible. India’s “Look East” policy has greatly facilitated ASEAN’s effort in this regard. At present, nearly all the significant big powers in the international arena have built very close relations with ASEAN. The geo-strategic environment of ASEAN is one of the best in history. The other concomitant of India’s “Look East” policy is that with more big powers entering Southeast Asia, ASEAN’s international political influence has also become substantially enhanced. Nowadays, ASEAN is more like an important co-ordinator among big powers. It also act as a shock-absorber which helps to pacify the big powers in their disputes.

Lastly, India’s “Look East” policy and its practice would be helpful for the construction of political democracy in ASEAN, especially for ASEAN countries to tackle their ethnic, religious and even political problems. Most ASEAN countries face a common problem i.e. how to build stable, tolerant and secular state structures under conditions of multi-ethnicity, multi-religion and externally-induced complications. In this regard, India may be a valuable source of lessons and experiences to ASEAN. In recent years, a positive development in this regard is ASEAN’s modification of its traditional “non-interference” foreign policy, which is demonstrated by the fact that due to the implicit pressure of some ASEAN members, Rangoon has changed its harsh and rigid attitude towards Aung San Suu Kyi. In short, the India-ASEAN mutual approach has proved, and would still prove, to be a blessing for both sides.
For years the Northeastern part of India has been completely ignored by the government of India and till late 1980s the Northeastern states never existed on the radar of Indian government. Though the region has huge natural resources and abundant men power, most of the states in northeast India lack the capability to develop, even to live, on its own resources. As a result, the economic growth rate of the northeast region is far behind the average national level, so northeastern India is also call “India’s back lake” (Zhengjia 2001).

However, the failure to control the insurgency in the region and the change in the political environment of the world compelled Indian government to change its policy towards the Northeast. By early 1990s, Indian government was projecting the Northeast as the gateway to ASEAN countries mainly for two reasons. First, Indian government believes that in order to curb one of the “world’s longest-running insurgencies,” the region has to be developed and development of the region could come about by linking the Northeastern region with the ASEAN countries. This is done keeping in view of the geographical proximity, cultural similarity and historical linkage the northeastern states have with the South East Asian countries. The simple fact is that 98 percent of the northeastern states share border with foreign countries and lies in close proximity to one of the fastest growing economy, i.e., the Southeast Asia. Another reason behind the move was to enhance the economic development of the country as a whole.

As a result, a series of sub-regional economic co-operation organisations, which involves both northeast India and the adjacent countries and regions, like the Indo-ASEAN, BIMSTEC, India-Thailand, India-Singapore trade agreements came into being. The formation of SAFTA further helps to boost up trade relation of this region with China, Myanmar, Bhutan and Bangladesh by removing various trade barriers among these countries. Liberalisation of border trade has positive implications in the economic prospects of north eastern region (The Assam Tribune 2007).

Nevertheless, the Northeastern region, apart from being economically weak and geographically isolated, there are various obstacles like inadequate infrastructural facilities, finance and trained men power in the development of the region. Therefore, keen to promote balanced regional development, the Indian government has given utmost priority on the development of infrastructural facilities in the region. Since transportation bottleneck has remained a major problem in the Northeast,
emphasis has also been given on substantial improvement of road communication system. The statement of Indian External Affairs Minister, Pranab Mukherjee calling on Thailand to invest in the infrastructural development of the Northeastern states corroborate this point. External Affairs Minister, Pranab Mukherjee said, “The idea of a road link between India and Thailand cannot but captivate one’s imagination. For India it would mean road connectivity with all of ASEAN. For Thailand it would mean road connectivity with a market of more than a billion people.” (Nagaland Post 2007). The Union Minister for Development of North Eastern Region (DONER), Mani Shankar Aiyar while delivering the valedictory address on October 9, 2007, at the concluding session of the three-day conference on Northeast, “underlined the need for a shift in policy towards China and Bangladesh to enable the Northeastern States to reap the benefits of the Look East Policy” (Aiyar 2007). And to ensure multiple connectivity steps have also been taken to improve railway and air services.

Japan

The history of ASEAN-Japan relations as stated by His Excellency Domingo L. Siazon Jr., Secretary of Foreign Affairs Republic of the Philippines, started “more than a quarter of century ago.” Further, he is of the opinion that it was only after “the end of the Vietnam War in 1975 and the first ASEAN Summit held in Bali in 1976,” that Japan-ASEAN relation was regenerated (Siazon 2000).

Similarly, the Ministry of Foreign Affairs of Japan reported that Japan's formal relationship with ASEAN dated back to 1977, when then Prime Minister Takeo Fukuda met with ASEAN leaders at the organisation's second summit meeting in Kuala Lumpur. The ministry further stated that “since that time, Japan and ASEAN forged a robust partnership that has contributed significantly to the region's economic, social, and political development” (Japan, Ministry of Foreign Affairs 2007). Japan-ASEAN relation was further strengthened by the "New Partnership for Peace and Prosperity" announced by then Prime Minister of Japan, Nobuo Takeshita and his ASEAN counterparts in 1987 (Japan, Ministry of Foreign Affairs 2007).

Japan remains the second most important trading partner of the ASEAN states and the most important source of Official Development Assistance. Japanese Government has surmounted the private enterprise for the economic development in the region by launching the Indo-China Development Forum (IDF), based on the idea proposed by Mr. K. Miyazawa, the then Prime Minister of Japan in 1993 at an
ASEAN meeting. The main objective of establishing this international forum was to support "open regionalism in the region" mainly "for the industrial co-operation among the Indo-China countries and Myanmar." Subsequently, a Working Group was started by the ASEAN Economic Ministers (AEM) and MITI at a meeting held in Chiangmai (Thailand) in September 1994. The AEM-MITI meeting also confirmed that ASEAN and Japan would co-operate in the economic development of the region especially in the Indo-China countries and Myanmar. The Miyazawa Plan of 1998 made available a sum of US$ 30 billion as a liquidity provision to help the recovery of the economic crisis in the region. A series of bilateral swap arrangements with Malaysia and Thailand have helped fortify the currencies of these countries (Ravenhill 2002: 187). The Japanese see the opportunities for investment in the region as something not ripe enough, not only in infrastructure but also in the broader framework for co-operation among the GMS countries. The Japanese view has been very explicit that their benefit lies in the more or less economic core of the GMS.

Japan's firm economic relation with the ASEAN countries was clearly manifested during the Southeast Asia economic crisis that hit the region. Japanese government in quick succession "launched the Miyazawa Initiative, the Hashimoto Initiative and the Obuchi Plan to stave off further damage from the crisis and to lay the foundation for recovery and sustained growth in crisis-affected countries" (Siazon 2000). Further, Japan created the Japan-ASEAN Solidarity Fund in 1999 and the Japan-ASEAN General Exchange Fund (JAGEF) in 2000. In 2001, the ASEAN-Japan Eminent Persons Group produced a vision for Japan-ASEAN Relations in the 21st Century that proposed expanding co-operation to include international issues such as UN reform and the WTO (Japan, Ministry of Foreign Affairs 2007).

During the Asian financial crisis, Japan provided more aid to Southeast Asia than any other country. According to statistics, since the outbreak of the Asian financial crisis, the Japanese administration has issued the "Asian Aid Programme" and "New Miyazawa Initiative" to provide Southeast Asian countries with a total of US$ 80 billion aid. By the end of 1999, Japan had implemented US$ 43 billion of its programmes (Si Wei 1999:1). As a result, the ASEAN countries considered Japan as the most important player during the Asian financial crisis. Besides, Japan's economy also has a great impact on the economy of the ASEAN countries. As a result, the ASEAN countries, though critical of the Japanese role in the region, expect the latter
to revive its domestic economy as soon as possible and recover its vitality as the leader of Asia's economy. Bhubhinder Singh expressing similar views asserted that, 'despite ASEAN's severe criticisms of Japan's role during the economic crisis, ASEAN countries do perceive Japan as an important economic partner. ASEAN countries realised the need for the economic presence of Japan in the region, not only to help revive their ailing economies, but also to help restore their previously dynamic growth rates' (Singh 2002: 291).

The 1997 Asian financial crisis also highlighted the inter-dependence of the region's economies and led to the establishment of the ASEAN+3 (Japan, Korea, and China) Framework. John Ravenhill (2002: 187) stated that "although Japan was first to seize the initiative, with its proposals for an Asian Monetary Fund, more recently China has led the debate in the trade field with a proposal at the ASEAN Plus Three (Japan, Korea, and China) Summit in 2000 for the creation of a free trade zone between China and ASEAN" (Ravenhill 2002: 179). With the change of World political environment, Japan and ASEAN have turned their attention to tackling trans-national challenges affecting the region. During his first meeting with ASEAN counterparts in 2001, Prime Minister Junichiro Koizumi urged "greater co-operation on global issues such as counter-terrorism, anti-piracy, environmental protection, and preventing the spread of infectious diseases" (Japan, Ministry of Foreign Affairs 2007).

A controversial issue has been the plan linking future aid to countries in the region to a "series of benchmarks" which include respect for human rights, the environment, positive moves towards democracy and a market economy. This was made clear when Japan laid out its new aid policy towards Vietnam (Channel News Asia, June 3, 2004). Aid conditionalities have always been a problem in relations between Japan and Southeast Asia, more so as the benchmarks being set by Japan can be deemed to be intrusive and constitute interference in the internal affairs of a sovereign nation. William Long argues that this is part of a "new security manifesto" that indicates a new role for Japan as an international actor (Long 1999: 329).

At the same time, recent debates within ASEAN concerning the lack of responsiveness of Myanmar to calls from within ASEAN itself to ease upon opposition groups may indicate that this policy may not necessarily be seen as overly intrusive. It is more likely that there will be some statements that criticise Japan from some ASEAN states, particularly the newer members, but it will not lead to harsh
condemnation from the rest of ASEAN. These benchmarks can also be seen as part of the Japanese strategy of strengthening its bilateral relations with Southeast Asia (Gilson 2004: 90). Prime Minister Junichiro Koizumi pointed out that the fundamental basis for co-operation between ASEAN and Japan should be based on “undertaking reforms in our respective countries” to ensure that both “will advance individually and jointly toward increased prosperity” (Koizumi 2002). This indicates that Japan will deal with each ASEAN state individually but within a multi-lateral framework. This seems to hark back to the duality of national and regional resilience that the ASEAN states had always referred to in the early years of the association. It is, however, much more than this as it implies a more active involvement of Japan in enhancing processes of co-operation. While the issue of human rights and democracy may continue to be controversial concerns across most of the ASEAN member states, the emphasis on market reform is universally acceptable.

Any increase in the economic dynamism of Japan is welcomed by the ASEAN states, particularly if this facilitates the strengthening of East Asian regionalism. Julie Gilson argues that this is precisely the direction that Japan is taking. Japan is increasingly using a regional multi-lateral framework (even as aspects of it demand a bilateral approach) made feasible by “the greater acquiescence of regional partners” (Gilson 2004: 91). It is this idea of greater acceptance by its regional, in this case Southeast Asian, partners that is new in this environment of co-operative endeavour. And this is more evident in the area of security co-operation.

One of the most important developments in ASEAN-Japan relations is the decreasing centrality of history as a factor (Yang 2003: 317). Jian Yang noted that the ASEAN states have generally become more relaxed about the idea of Japan becoming a political power, even a military one. He warns though that ASEAN should remain sensitive to China’s sensitivities on this issue and “not take a strong position on the historical dispute between China and Japan” (Yang 2003: 317-18). China will certainly react to this development and some countries in Southeast Asia will probably seek greater re-assurance from the United States to ensure that Japan will continue to behave peacefully. It would not be surprising if countries such as the Philippines, Singapore and Thailand continue to call for the continued maintenance of its military presence in the region. It will push atleast these ASEAN states towards even closer security relations with the United States and invite tension with China.
The increasing importance of Japan as a partner in regional security is one of the most important developments that revolve around ASEAN-Japan relations. The nature of the relationship is such that it continues to build on what is evidently growing confidence and trust. The obvious competition between Japan and China for regional leadership has been beneficial to the growth of regionalism in East Asia in general, and Southeast Asia in particular. While sensitivities between China and Japan make it imperative for the ASEAN states to carefully manage their relationship with these two powers, the institutionalisation of co-operative mechanisms and the support that both China and Japan have given to the process of regionalisation makes the work of ASEAN lighter.

Before the 1990s, most ASEAN countries expected Japan to only play a role in the economy. But in recent years, things have begun to change. More and more ASEAN countries began to agree that Japan could play an important role in politics and security of Southeast Asia in order to balance the other rising powers. Wong Kan Seng, former Foreign Minister of Singapore, stated, "Japan has participated actively in ASEAN's politics and security; it means that Japan-ASEAN relations are becoming more and more mature" (Wong 1999).

The official premise behind the current relationship between the ASEAN states and Japan is laid out in the 2003 ASEAN-Japan Plan of Action (ASEAN Secretary). Three main areas of co-operation are emphasised here. First is strengthening the process of integration being undertaken within ASEAN. This includes reducing the gaps in capacity and economic development between the older members of ASEAN and the newer ones. Second, co-operation between Japan and ASEAN is being geared towards enhancing the competitiveness of the ASEAN countries. In this context, economic partnerships are being established with assistance provided by Japan in order to promote education, human resource development and institutional capacity building within ASEAN itself. Finally, events since 11 September 2001 have accentuated the significance of trans-national issues, particularly terrorism and piracy. ASEAN and Japan have agreed on enhancing co-operation in this area primarily through institutional and human capacity building with particular emphasis on law enforcement agencies. The issues given prominence here indicate two things: the continued importance of economic co-operation, which has always been the fulcrum of ASEAN-Japan relations, and the increasing prominence of security co-operation in this relationship.
Japan initiated a series of actions in 2003, two of which are influential. The first was to launch the "ASEAN-Japan Exchange Year 2003", In November 2002, at the Japan-ASEAN Summit, Japanese Prime Minister Junichiro Koizumi suggested 2003 as the "ASEAN-Japan exchange Year," which aims to push ASEAN and Japan to "go forward together, improve together." Japan's other step was to enhance its relations and deepen consultation on economy, politics, security and cultural exchanges with ASEAN countries. They signed a series of treaties and agreements on the above basis.

Japan also plays an important role in ASEAN's strategy of balance of power. ASEAN expects Japan to be more active in the political, military and security fields, as it continues to play an important role in economy. ASEAN hopes that Japan will speak for ASEAN at the G-7 Summit, and ASEAN is willing to support Japan to become a permanent member in the UN Security Council. Some of the ASEAN countries also believe that Japan need to be not only introspective about its history; it has much room to co-operate with ASEAN countries on politics, military and security.

United States of America

The relationship between ASEAN and the United States has, since the attacks on the World Trade Centre and the Pentagon on 11 September 2001, been dominated by concerns over terrorism. Jonathan Pollack noted that in President George Bush trip to the region for the 2003 APEC Summit in Bangkok, he dealt primarily with international terrorism (Pollack 2004: 10-11). He did renew the commitments of the United States to the economic development of the region but indicated the primacy of the war on terror in emphasising that greater security collaboration especially against terrorism will lead to increased trade and investment. In the wake of the events of 11 September 2001, the Bush administration met collectively with the ASEAN states on 26 October 2002 to discuss the Enterprise for ASEAN Initiative (EAI). The idea behind the initiative was to promote the growth of free trade in the region and the strengthening of the involvement of the United States in the region (International Herald Tribune, November 4, 2002).

Closer ties with the region were seen as means towards opening up markets and help redirect investment into Southeast Asia. The United States has already established trade and investment agreements with Indonesia, the Philippines and
Thailand, with Brunei indicating its interest. Again, it has concluded a Free Trade Area (FTA) agreement with Singapore that it hopes will be a model for other FTAs around the region.

The need for the United States as a balancer is unprecedented for ASEAN. ASEAN considers that only the United States has enough power to balance an increasingly powerful China. Lee Kuan Yew pointed out in a speech in 2001 that China will develop rapidly in the following decades. By 2040, China and Japan’s combined GDP will exceed that of the United States. These developments will shift the economic center of gravity of the world from the Atlantic to the Pacific. China will be a formidable player in the region. No combination of other East Asian economies – Japan, South Korea, Taiwan and ASEAN will be able to balance China. The Russian Federation will not be a major player for at least another 20 years. Therefore the role of America as the balancer is crucial if ASEAN has to have elbow room for itself (Yew 2001: 20).

There are three positive meanings for the enhancement of US military and security presence in Southeast Asia. First, it is beneficial to maintain the balance of power in Southeast Asia. The American withdrawal of its last troop from the Philippines in 1992 left a huge power vacuum in Southeast Asia. The countries which have their interests in this region competed to fill the vacuum created by the withdrawal of the US and their actions led to the imbalance of power. If this situation exists for a long period of time, it would undoubtedly affect the stability and peace of this region. Second, it could contain the “counter-disarmament” which has emerged in Southeast Asian countries since the end of the Cold War. At the beginning of the 1990s, as the US military presence decreased, Southeast Asian countries felt an increasing sense of insecurity. They accelerated their national defence modernisation programmes respectively. The military expenditure of some countries has increased to a great extent. All these phenomena caused a contrary situation to the global disarmament, which was called “counter-disarmament”. Since the outbreak of the Asian financial crisis, owing to internal economic difficulties, most Southeast Asian countries have slowed down their national defence modernisation. However, with the recovery of their economy, the re-inforcement of a U.S. military and security presence in this region can somewhat contain this tendency.

Third, a US military and security presence in this region can promote Southeast Asian countries’ fight against terrorism, contain Islamic fundamentalism,
and safeguard their unification and social stability. Peace and prosperity in Southeast Asia fit China’s interests as it also needs a peaceful, stable and prosperous Southeast Asia just as America does. It is often said that China needs a stable peripheral environment to develop its economy. The fact is that if Southeast Asia attains stability, then a large part of China’s neighbours will be stable. On this point, the strategic interests of the United States and China are mutual (Yunhua: 125).
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