

Workshop on “Southeast Asia, Peace and Institution Building”

Nobuhiro Aizawa, Kyushu University

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WORKSHOP SUMMARY

Discussants:

Kei Koga, Assistant Professor, Nanyang Technological University

Nobuhiro Aizawa, Associate Professor, Kyushu University

Yuki Tatsumi, Senior Associate, East Asia Program, Stimson Center

Benjamin Self, Vice President, Mansfield Foundation

Fumihiko Goto, First Secretary, Political Section, Embassy of Japan

Satu Limaye, Director, East-West Center in Washington

Murray Hiebert, Senior Advisor and Deputy Director, Southeast Asia Program, Center for Strategic and International Studies

Pamela Kennedy, Research Associate, East Asia Program, Stimson Center

Yuki Tatsumi thanked the roundtable participants for attending to discuss the research progress of Dr. Nobuhiro Aizawa, Associate Professor at Kyushu University and a specialist on Southeast Asian politics. She invited Aizawa to begin his presentation.

Nobuhiro Aizawa discussed his research. He began with Japan’s policy goals towards Southeast Asia, in which he prioritized improving Southeast Asian liberal economies, and social and political development. He noted that the Abe administration had made progress in building relationships with Southeast Asian leaders and further integrating bilateral economic relations. He argued that Japan and Southeast Asia had great potential for deeper economic relations that would benefit both sides, which led to his second policy goal of promoting and maintaining domestic and regional stability and security. He acknowledged that some countries in Southeast Asia were currently in times of domestic political uncertainty, especially the Philippines, with President Duterte signaling a major policy shift away from the longtime U.S. alliance towards China, and in Thailand with the recent death of King Bhumibol while the country is currently under military rule. With Southeast Asian security a “core value” for Japan for many decades, Japan needs to work with individual countries and regional mechanisms to mitigate destabilizing factors. The third policy goal, thus, requires strengthening ties between Japan and Southeast Asia. He briefly discussed Japan’s long interest in Southeast Asia as a source of resources and how the relationship needed to keep evolving to suit the present partnership. This evolution requires constant analysis to accommodate changing leaders and institutions; Japan needs to look beyond the Abe administration and current leaders of Southeast Asia to maintain long-term ties.

Aizawa then discussed the peacebuilding and institution-building background for his research. Though Japan had developed supply chains in Southeast Asia prior to the World Wars, in the postwar period Japan’s relationship with Southeast Asia deepened thanks to the American strategy of countering communism in Asia through democratization and economic development efforts. Japan’s trade with Southeast Asia picked up, and as Japan began its period of rapid industrialization, Southeast Asia became both a raw material source and a consumption market, helping all parties involved to develop. He said that today Japan has deep investment ties in Southeast Asia: there are large communities of Japanese nationals living in Southeast Asian countries, bringing in large private investment in addition to

Japan's significant ODA contributions. Aizawa argued that economic development in Southeast Asia was the foundation of peacebuilding and thereby the ultimate "purpose of politics." By cultivating strong political relationships, Japan sustained support for its investment activities, both official and private, leading to further development.

As a corollary to this idea, Aizawa discussed Japan's role in Southeast Asian security through its peacebuilding initiatives, with the example of Japan's successful efforts in the Cambodia peace process, in collaboration with the U.N. Transitional Authority in Cambodia, which was led by a Japanese chief of mission. In addition to Cambodia, Japan's National Policy Agency has contributed personnel to other regional security efforts in Southeast Asia, working within the limits of Japan's military activities. But Japan has promoted regional stability in other ways as well, including various financial crises. Aizawa discussed specifically the hyperinflationary policies of the early 1960s in Indonesia under Sukarno, leading to a military coup and Suharto's new regime, in which Suharto welcomed foreign investment and aid from Japan; and the 1997-1998 Asian Financial Crisis, after which Japan took the initiative to propose an Asian Monetary Fund as a mechanism for regional financial stability (though it was not realized) and the Miyazawa Plan to provide financial assistance to Asian countries on several time horizons (also not realized). Elements of the latter two Japanese proposals did eventually come through in the ASEAN Plus Three Chiang Mai Initiative, a currency swap network of which Japan was a founding member. In addition, Aizawa argued that the Ministry of Finance has had a hand in developing important financial institutions in Southeast Asia, citing the recent establishment of Indonesia's financial regulating and supervising institution, Otoritas Jasa Keuangan (OJK), which has ongoing joint workshops with Japan's own Financial Services Agency.

Aizawa also highlighted Japan's experience with disaster relief, since Japan and Southeast Asia frequently experience the same types of natural disasters, including earthquakes and floods. Since these events can have more casualties than conflicts, Japan's role in disaster relief and prevention serves as a kind of peacebuilding as well. Aizawa listed the various monitoring systems in place that have involved JICA. These include a typhoon monitoring system in the Philippines, which JICA strengthened with a meteorological radar system starting in 2009, and a JICA flood management projects in Thailand, one of which tries to mitigate flood damage around certain river basins and Bangkok to allow for development of the river area. Aizawa asserted that such system- and institution-building, in cooperation with existing Japanese institutions and expertise, helps to create a foundation for broader peacebuilding objectives.

Aizawa discussed various challenges that Japan faces in peacebuilding in Southeast Asia, including changing global order, a faltering U.S. alliance system, ASEAN's limits as a regional security mechanism, and competition in economic development. He noted that many Southeast Asian countries have lost confidence in the U.N.'s ability to broker peace in the face of the breakdown of order in Syria, while Japan itself is trying to discern whether Asia and the world are seeing a clash of great powers and possibly the commencement of a new world order, or whether the current order will manage to bring rising powers like China into the fold of international norms and institutions. Aizawa argued that the U.S. hub-and-spokes system and even the UNCLOS Permanent Court of Arbitration have not been effective in resolving China's encroachment into the South China Sea, so the nations of Southeast Asia need to build a thicker network of alliance among themselves somehow, despite their differences. The regional framework that ASEAN provides is a good start but insufficient, as it does not directly address security issues (particularly China) and has not been effective in engaging non-ASEAN nations on those issues. Aizawa said that scholars and policy experts constantly talked about pivoting – to Asia, to China – and

perhaps what they saw now was a pivot to Southeast Asia, because if a pivot is a strategic shift, then it shows strong interest in the pivot target. Japan, he said, was more open about its own strategic interest in Southeast Asia, not just characterizing its Southeast Asia policy as a matter of universal moral and democratic values. In addition, Aizawa argued that Japan's new Development Cooperation Charter (February 2015) was going to rework development assistance, offering an alternative to the OECD Development Assistance Committee (DAC) models for development coordination. Japan's Charter would seek to deepen development partnerships through coordination of multiple public and private actors. Aizawa also noted that development projects like high speed rail were frequently subject to competition.

Aizawa said that the most serious challenges facing Southeast Asian peacebuilding were social, however. Due to increasing income and political disparities, and the high visibility of these, Southeast Asian populations have been showing frustration with their governments and with the liberal political and economic order, and have been turning to nationalism. Aizawa discussed the rapid increase in information availability via the internet, which allowed more people than ever to learn about the inequalities in their society, such as the justice system in the Philippines that favors the wealthy, and the vagaries of their politicians. Moreover, Aizawa emphasized that for the first time, most Southeast Asian nations had larger urban than rural populations, exacerbating inequality issues and complicating the process and quality of political representation. Because wealthier urban citizens are looking for more experience politicians down to the local governments, the weights of the political system have been changing as well, bringing to the central governments more skilled former mayors, for example, rather than the central political establishment largely putting forth its own candidates. On this point, Aizawa cited President Duterte as an example of a skilled politician who was a former mayor. He also noted that environmental issues were becoming increasingly an international concern among neighboring countries, with, for example, the 2015 haze crisis affecting Indonesia, Malaysia, Singapore, and their neighbors; and controversial damming in the Greater Mekong Subregion, which affects water usage, energy production, fishing industries, and other sectors in Thailand, Laos, Vietnam, Cambodia, Myanmar, and China. Aizawa pointed out that despite how seriously these sorts of social and environmental issues impacted domestic and regional security, there was limited regional coordination to resolve the problems, particularly those affecting multiple states.

Aizawa concluded with policy recommendations aimed at mitigating nationalism, building an inclusive regional rule-making mechanism, and crafting economic and political relationships that can serve as a safety net for collateral damage from great power maneuvering. He recommended building institutions for dispute resolution and information sharing to manage regional labor issues, especially the problem of foreign workers, which is an easier aspect than domestic labor inequality issues. He noted that xenophobia was an ongoing problem in many Southeast Asian countries. He also recommended that development assistance focus on planning and consultancy in order to build stronger partnerships with Southeast Asian countries, and to work on not only the usual infrastructure projects, but to make forays into environmental issues like waste management by upgrading the technology, both of which use some of Japan's comparative advantage. He recommended building stronger local-to-local relationships, such as sister cities, in order to support decentralization of Southeast Asian governments, and further mitigate nationalism by promoting stronger regional ties. Aizawa also made two recommendations for cooperation with the U.S., including using the U.S.-Japan alliance as a starting point for long-term regional security mechanisms, essentially expanding the hub-and-spokes model to a broader regional

network, so that unilateral engagement for any country will become less attractive. Finally, he suggested the U.S. and Japan expand joint training and education programs in Southeast Asia to continue building and utilizing expertise in the region across a variety of fields to improve governance.

Tatsumi thanked Aizawa and opened the discussion to the rest of the participants.

Benjamin Self asked Aizawa whether Japan was using China as an excuse to support Japanese engagement in Southeast Asia and other regions. He said that Japan of course could couple this motive with a genuine interest in the target countries, but since Japan's work in Southeast Asia did offer competition to China's goals in the area, it seemed like a possible factor in Japan's decision making.

Aizawa responded that it was possible that considerations about China affected Japan's foreign policy towards Southeast Asia, but it was not the main factor, since even in the absence of China, Japan would still have a long history of relations with Southeast Asia, an interest in resources there, and a values-based interest in helping Southeast Asia to develop further. He also noted that the large Japanese communities in Southeast Asia did not necessarily view Japan's presence in these countries the same way top government officials might. As an example, he offered the Japanese government response to the May 2014 military coup in Thailand, in which Chief Cabinet Secretary Suga said that Japan urged the Thai people to restore democracy swiftly, while China simply said it was concerned about the situation and hoped both sides would negotiate. Japanese nationals in Thailand seemed to take a perspective more in line with China, criticizing Suga's statement and arguing that Japan shouldn't give coups a blanket condemnation on the basis of democratic values, but should deliver a pragmatic response based on the situation.

Satu Limaye said an important question was how to make Southeast Asia a stabilizer for Asia as a whole, and how to bring the U.S. into the equation, essentially making the Japan-U.S.-Southeast Asia triangle a stabilizing influence. He noted that the policy goals listed in Aizawa's outline were part of this larger picture of using bilateral and multilateral frameworks to spread stability. **Tatsumi** mentioned TPP and RCEP and asked the group what roles they played in the region and what gains were available for Japan and Southeast Asia. **Aizawa** suggested they were still mostly in the political arena, technically, so discussion in business contexts was not really detailed at this point. **Self** argued that they were already understood as trade deals and discussed in business circles, but agreed that in political terms both deals had large roles in the region. Depending on which way the U.S. went on TPP, RCEP could be a way for China to gain additional leverage in the region, against Japan's favor. TPP similarly would boost the U.S. and Japanese influence across the region, and not only in terms of raising standards of production and trade. **Tatsumi** said that TPP did not look likely to be passed in 2016, and the other participants generally agreed.

Moving onto discussion of economic development and peacebuilding, **Limaye** asked Aizawa whether he thought that more economic interdependence brought about more peace, or whether physical and political connectivity could augment more than just trade relations. **Aizawa** said that he thought that deeper economic relations would help build peace in Southeast Asia and that was why Japan needed to incorporate peacebuilding through economic development into its policies as the purpose of politics, essentially creating a unified objective for Japanese engagement in Southeast Asia. **Tatsumi** asked if there was a Japanese politician currently who could implement a bold agenda including this idea of "purpose of politics" and all of Aizawa's policy recommendations. **Aizawa** said that it was hard to say who could implement all of it but that the Abe administration was making progress in building Japan's

relations with Southeast Asia. He mentioned that when Duterte visited Japan he had had a good welcome and reaffirmed Japan and the Philippines' close relationship, despite earlier indicating a shift away from the U.S. to China. Various participants discussed how serious Duterte was about pulling away from the Philippines-U.S. alliance, but agreed that it seemed Japan could maintain its bilateral relationship anyway.

In a discussion about Japan's role in financial stability in Southeast Asia, **Murray Hiebert** said that rescheduling debt in Southeast Asia was important for recovering from the Asian Financial Crisis, such as in Indonesia at the time, when debt rescheduling helped the government to conserve currency. **Tatsumi** and **Self** agreed, saying that repayment rates and the ability to repay mattered significantly, so the Ministry of Finance had an important role in managing the repayment capacity in Southeast Asian financial crises.

Kei Koga said that disaster relief added to the "quality" aspect of Japan's activities compared to China's. There was discussion of Japan's relief contributions after natural disasters in Southeast Asia, with the example of typhoon Haiyan in the Philippines, after which Japan immediately donated \$10 million and sent Self-Defense Force personnel to assist, whereas China gave less than \$2 million. **Tatsumi** asked the group if they agreed Japan could replace its lost economic powerhouse status by gaining a reputation for generous and high quality contributions to disaster relief. **Aizawa** agreed that this was probably part of the Japanese government's calculations, that they built trust among Southeast Asian countries as not only a strong economic partner but also a reliable partner in times of crisis, whereas China's thought process even in times of grave need was impacted by ongoing disputes – such as the South China Sea territorial row that probably influenced Beijing's initial impulse to give only a little aid to the Philippines after Haiyan.

Koga mentioned that Japan still had to overcome the growing perception that the global order was changing, and that though small countries rely on international rules, the rules no longer seemed to apply in some places, like Syria. He mentioned that both Russia and China wanted to challenge the rules in highly unstable areas or areas where it seemed difficult for the U.S. or U.N. to enforce the rules. **Tatsumi** agreed that this offered an additional difficulty to Japan's efforts to showcase its high quality partnership versus a rising China. **Limaye** argued that it was also a problem because Japan cannot afford to be unsuccessful in Southeast Asia; if it failed to maintain and expand its relationship with these countries, it would lose important economic relationships, partners on the same side of the South China Sea territorial issues, and the ability to offer an alternative to China. The U.S. also needs Japan to be successful for these reasons among others. **Self** agreed, saying that the hub-and-spokes model clearly was not sufficient, and that Japan needed to figure out what would be helpful in building a broader network. There was a general discussion of the various pivots—the U.S. pivot to Asia, Duterte maybe pivoting to China – and how they would play out as strategic shifts. **Aizawa** reiterated that it was very much in Southeast Asia's favor for everyone (China, Japan, U.S., others) to pivot to it and court it, so that they could choose among the larger powers' offers and better avoid strings with deals. In that respect, Duterte's decision to pivot blatantly to China might represent a calculation that China offered the better deal. **Limaye** mentioned that Duterte might have made a rash move, considering that Indonesia recently issued data on how much of its trade and aid commitments China actually kept over the past decade or so – only 7%. Therefore, Duterte's \$24 billion in MOUs will probably amount to much less in the end. He asked if it was really worth it for Duterte to downgrade the importance of the U.S.-Philippines alliance

and relationship and hedge a little on the South China Sea issues in return for such a small amount of aid from China.

Hiebert said that U.S. alliances in Southeast Asia nevertheless seemed to be unravelling. He offered the example of Thailand, which has refused American requests to use some bases in Thailand for humanitarian work several times, and mentioned that Duterte now wants foreign troops (including the U.S.) out of the Philippines within the next few years. **Tatsumi** said that this might actually be a good time for Japanese policy to be reoriented and reconstructed, especially if Southeast Asian countries are thinking that the U.S. did not really deliver on its “rebalance” promise (especially now that TPP seems unlikely to pass Congress) but are still concerned about China. Japan has an opportunity to be a positive alternative in the region. **Aizawa** agreed and said that the local-to-local relationships were going to be just as important as the high level agreements. By building a network of local level leaders and building the capacity of governance outside of major urban centers, Southeast Asian countries could attempt to manage some of the social challenges Aizawa mentioned in his presentation, and also benefit from the rising of successful leaders from local to central government, like Jokowi. He added that he envisioned this network not just between towns but also prefectures. **Self** noted that there were many NIMBY (not-in-my-backyard) issues with the environmental challenges that Aizawa had cited, as well as political protests, all of which would require local leaders to micromanage their policies, so it would be difficult. **Aizawa** agreed and reiterated his policy recommendation that the best starting place for new leaders to establish credibility was tackling issues of foreign workers. **Limaye** added that China differs broadly in this respect because Chinese companies investing abroad tend to bring their own laborers, rather than hire locals, which can lead to nationalism or xenophobia in local populations. **Hiebert** added that there seemed to be a reflex among policy experts to add “how to cooperate with the U.S.” to most Japan policy papers, and Aizawa did not need to add it unless it was necessary, though his recommendations were good. **Aizawa** reaffirmed that he thought there were good opportunities for Japan and the U.S. to collaborate in Southeast Asia to both their and the region’s benefit.

Tatsumi thanked everyone again for their participation and said that Aizawa had a good outline and a productive discussion to help him write his paper.