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Japan and the Greater Mekong Sub-region: Hegemony in the Making or Hegemony Already Established?

by

Ryan Hartley

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Abstract

This is a study of power in Japan's contemporary regional international relations, examined through the Critical framework of political-economy developed by Robert Cox and drawing on the thought of Antonio Gramsci. It focuses upon the countries of the Mekong Peninsula in addition to the Greater Mekong Subregion (GMS) project which those countries are aligning with. It is argued that far from a naturally occurring phenomena of bottom up mutual interest sharing, the GMS is an example of a 'world order' set in sub-regional terms, that Japan and its organic intellectual the Asian Development Bank are orienting Thailand, Vietnam, Cambodia and Laos towards. Through the employment of quantitative and qualitative methods, carried out across the multiple countries involved in this study, this research attempts to discover the formal and informal channels of direct (relational) and indirect (structural) power that Japan exercises in order to garner the consent necessary from the elites of the Mekong economies to adapt their domestic policies towards world orders. This is hegemony understood in Critical (consent generation) rather than Realist (coercive force) terms, and the study examines the nexus reached between Japan's material, institutional and ideational power, and how these operate in the real world of the Mekong countries. It was discovered that among the highly complex histories, interactions and sheer number of projects underway in the Mekong region, a common pattern of behaviours and activities are occurring. Japan, since the mid-1980s has been reforming the former economies of Indochina to orient them towards some of the developments already successfully achieved in Thailand during the 1950s-1970s. From the end of the Cold War the GMS project was formally put in place and great efforts were made to the war-torn Indochina economies towards liberal economic reforms (not liberal democratic reforms). Once achieved, and the GMS project successfully ported into the regional framework of the Association of South East Asian Nations (ASEAN), Japan began shifting allegiances away from open-ended multilateralism and towards a Japan-centric set of relations. The dissertation concludes that far from being a passive or reactive state, Japan's relations with the GMS and the Mekong countries demonstrates a high degree of strategic vision, and that that agenda does not end with the sub-regional GMS. Rather, the GMS is a building block on the way towards inter-regional and trans-regional transformation that may potentially open alternate channels of politico-economic power that would fundamentally transform Southeast Asia and East Asia more broadly.

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It has also hopefully produced something that can contribute both theoretically and practically to the academic disciplines in which I work. I never approached this doctorate with the goal of simply passing and receiving a few extra letters after my name. I approached it with the goal of producing something original, and which both adds more to the proverbial pot while also helping to re-interpret what is already there. I will leave it to the reader to judge whether that has been achieved.

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They say that completing a doctorate is the hardest intellectual endeavour a person can attempt. When you have the right people behind you, it becomes just that little bit more manageable.

Acronyms

| | |
|-----------|--|
| ABMI | Asian Bond Market Initiative |
| ACGM | ASEAN Central Bank Governors' Meetings |
| ADB | Asian Development Bank |
| AEC | ASEAN Economic Community |
| AFTA | ASEAN Free Trade Area |
| AIIB | Asian Infrastructure Investment Bank |
| AJCEP | ASEAN Japan Comprehensive Economic Partnership |
| AMBDC | ASEAN-Mekong Basin Development Cooperation |
| AMEICC | Economic and Industrial Co-Operation Committee |
| AMP | Aid Management Platform |
| AMRO | ASEAN+3 Macroeconomic Research Office |
| APEC | Asia Pacific Economic Co-Operation Forum |
| ARF | ASEAN Regional Forum |
| ASEAN | Association of South East Asian Nations |
| BIDV | Joint Stock Commercial Bank for Investment and Development of Vietnam |
| BIMP-EAGA | Brunei Darussalam-Indonesia-Malaysia-the Philippines East ASEAN Growth Area |
| BIMSTEC | Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation |
| BOI | Board of Investment |
| BOT | Build, Operate, Transfer |
| BRIC | Brazil, Russia, India, China |
| BSRP | Banking Sector Reform Program |
| CBTA | Cross-Border Trade Agreement |
| CDC | Cambodia for the Development of Cambodia |
| CEPT | Common Effective Preferential Tariff |
| CGDK | Coalition Government of Democratic Kampuchea |
| CIB | Cambodia Investment Board |
| CIFEC | Committee for Investment and Foreign Economic Cooperation |
| CITES | Convention on the International Trafficking of Endangered Species |
| CJCC | Cambodia-Japan Cooperation Centre |
| CLM | Cambodia, Laos and Myanmar |
| CLMV | Cambodia, Laos, Myanmar and Vietnam |
| CLM-WG | Working Group on Economic Co-Operation In Cambodia, Laos and Myanmar |
| CLV | Cambodia, Laos and Vietnam |
| CMEA | Council for Mutual Economic Assistance |
| CMI | Chiang Mai Initiative |
| CMIM | Chiang Mai Initiative Multilateralization |
| CPI | Committee for Planning and Investment |
| CPP | Cambodian People's Party |
| CPRGS | Comprehensive Poverty Reduction and Growth Strategy |
| CSEZB | Cambodian Special Economic Zone Board |
| CWE | China International Water & Electric Corp |
| DAC | Development Action Committee |
| DIC | Department of International Cooperation |
| DIEC | Department of International Economic Cooperation |
| DOC | Declaration on the Conduct of Parties in the South China Sea |
| DPJ | Democratic Party Japan |
| DRV | Democratic Republic of Vietnam |
| DSEZ | Dawei Special Economic Zone |
| DTA | Development Triangle Area |
| EAEC | East Asia Economic Caucus |
| EAEG | East Asia Economic Group |

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| EDL | Electricite Du Laos |
| EOI | Export Oriented Industrialisation |
| EPA | Economic Partnership Arrangement |
| EPE | Export Processing Enterprise |
| EPZ | Export Processing Zone |
| ESCAP | United Nations Economic Commission for Asia and the Far East |
| ESDF | Eastern Seaboard Development Program |
| EVN | Vietnam Electricity |
| EWEC | East West Economic Corridor |
| EXIM | Export-Import Bank |
| FAMC | Foreign Assistance Management Committee |
| FEOF | Foreign Exchange Operation Fund |
| FFT | Farmers Federation of Thailand |
| FLM | Friends of the Lower Mekong |
| FTA | Free Trade Area |
| FTAAP | Free-Trade Area of The Asia Pacific |
| FUNCINPEC | Front Uni National Pour Un Cambodge Indépendant, Neutre, Pacifique, Et Cooperative (National United Front for an Independent, Neutral, Peaceful, and Cooperative Cambodia) |
| GMS | Greater Mekong Sub-Region |
| GPE | Global Political Economy |
| GT | Growth Triangle |
| HCMC | Ho Chi Minh City |
| HIPC | Heavily Indebted and Poor Countries |
| IAI | Initiative for ASEAN Integration |
| IBRD | International Bank for Reconstruction and Development |
| ICSC | International Commission for Supervision and Control (Cambodia) |
| IFRS | International Financial Reporting Standards |
| IIT | International Investment Treaty |
| IMT-GT | Indonesia-Malaysia-Thailand Growth Triangle |
| IP | Industrial Parks |
| IPE | International Political Economy |
| IPP | Independent Power Producers |
| IR | International Relations |
| ISI | Import Substitution Industrialization |
| JBAV | Japan Business Association of Vietnam |
| JBIC | Japan Bank for International Cooperation |
| JCB | Japan Credit Bureau |
| JCC | Japan Cooperation Centre |
| JETRO | Japan External Trade Organisation |
| JEXIM | Japan Export-Import Bank |
| JICA | Japan International Cooperation Agency |
| JINED | International Nuclear Energy Development of Japan Co. Ltd |
| JMA | Japan Agriculture |
| JOCV | Japan Overseas Co-Operation Volunteers |
| JTC | Japan Transportation Consultants |
| JTECS | Japan-Thailand Economic Cooperation Society |
| JTEPA | Japan-Thailand Economic Partnership Agreement |
| JTPP | Japan-Thailand Partnership Programme in Technical Cooperation |
| JVC | Japan International Volunteers Centre |
| JVEF | Japan-Vietnam Economic Forum |
| JVTA | Japan Vietnam Trade Association |
| JWGF-Japan Thai | Joint Working Group for Development of Thailand-Japan Financial Cooperation |
| KPNLF | Khmer People's National Liberation Front |
| KPRP | Khmer People's Revolutionary Party |
| LCR | Local Content Requirements |

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| LDB | Lao Development Bank |
| LDC | Less Developed Country |
| LDP | Liberal Democratic Party |
| LFNC | Lao Front for National Construction |
| LHSE | Lao Holding State Enterprise |
| LMB | Lao May Bank |
| LPDR | Lao Peoples Democratic Republic |
| MDG | Millennium Development Goal |
| MEA | Metropolitan Electricity Authority |
| METI | Ministry of Economy, Trade and Industry |
| MFI | Micro-Finance Institutions |
| MFN | Most Favoured Nation |
| MIA | Missing In Action |
| MITI | Ministry of International Trade and Industry |
| MJ-CI | Mekong-Japan Economic and Industrial Co-Operation Initiative |
| MOFA | Ministry of Foreign Affairs |
| MPI | Ministry of Planning and Industry |
| MRBC | Mekong River Basin Countries |
| NACCS | Nippon Automated Cargo and Port Consolidation System |
| NAIC | Newly Agro-Industrialised Country |
| NBC | National Bank of Cambodia |
| NCSEZ | National Committee for Special and Specific Economic Zones |
| NDB | New Development Bank |
| NEADB | North East Asian Development Bank |
| NEB | National Economic Board |
| NEDA | Neighbouring Countries Economic Development Cooperation Agency |
| NEDB | National Economic Development Board |
| NEM | New Economic Mechanism |
| NESDB | National Economic and Social Development Board |
| NIC | Newly Industrializing Countries |
| NMI | New Miyazawa Initiative |
| NRP | National Roundtable Process |
| NSCT | National Student Center of Thailand |
| ODA | Official Development Assistance |
| ODOP | One District One Product |
| OECD | Organisation for Economic Cooperation and Development |
| OECF | Overseas Economic Cooperation Fund |
| OSSC | One Stop Service Centres |
| PCAP | Public Investment Program Management |
| PCI | Indochinese Communist Party |
| PEA | Provincial Electricity Authority |
| PECC | Pacific Economic Cooperation Council |
| PIP | Public Investment Program |
| PKO | Peace Keeping Operations |
| PNG | Private Non-Guaranteed Debt |
| PPG | Public Or Publically Guaranteed Debt |
| PPRP | Lao People's Revolutionary Party |
| PTT | Public Company Limited |
| QE | Quantitative Easing |
| QIP | Qualified Investment Projects |
| RCEP | Regional Comprehensive Economic Partnership |
| RLA | Royal Lao Army |
| SEACEN | South East Asian Central Banks |
| SEATO | South East Asian Treaty Organisation |
| SEZ | Special Economic Zone |
| SIJORI | Singapore, Johor (A Malaysian State) and Riau (An Indonesian Province) |
| SME | Small Or Medium Size Enterprise |

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| SOE | State Owned Enterprise |
| SPC | State Planning Committee |
| STEP | Special Terms for Economic Partnership |
| SVA | Shanti Volunteer Association |
| TAGP | Trans ASEAN Gas Pipeline |
| TICA | Thailand International Development Cooperation Agency |
| TNC | Trans National Corporation |
| TNI | Thai-Nichi Institute of Technology |
| TPA | Technology Promotion Society |
| TPP | Trans Pacific Partnership |
| UNTAC | United Nations Transitional Authority In Cambodia |
| USOM | United States Overseas Mission |
| VNACCS | Vietnam-Nippon Automated Cargo and Port Consolidation System |
| WB | World Bank |
| WTO | World Trade Organisation |

Glossary of Terms

Japanese

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|----------------------------|---|
| <i>anken keisei</i> | project creation (re: ODA) |
| <i>anken kibō chōsa</i> | project request research (re: ODA) |
| <i>bakufu</i> | governments dominated by warriors, lit. ‘tent government’ |
| <i>dai-ajia</i> | great Asia (an imperial designation) |
| <i>dai-ajia-kyokai</i> | great Asia society (an imperial study group) |
| <i>dai tō-a kyōeiken</i> | co-prosperity sphere |
| <i>daimyō</i> | Edo period regional lords |
| <i>dokken kokka</i> | construction state (political characterisation) |
| <i>endaka</i> | expensive yen (colloquialism denoting the 1980s shift in the yen’s value) |
| <i>keiretsu</i> | successor to the zaibatsu, industrial conglomerations |
| <i>fudai</i> | inner lords (those allied to Tokugawa Ieyasu before the Battle of Sekigahara) |
| <i>fūkoku kyōhei</i> | rich country, strong military |
| <i>gaiatsu</i> | Foreign or outside systemic pressure |
| <i>genrō</i> | Meiji oligarchs |
| <i>hakkō ichiu</i> | eight corners of the world, one roof |
| <i>han</i> | Edo era political community designation |
| <i>kaiteki chitsujokan</i> | Meiji period civilizational descriptor for the world outside of Japan, characterised by a Sino civilised core of ‘foreign countries’ surrounded by a periphery of non-Sino civilisation ‘barbarian countries’ |
| <i>karayuki san</i> | prostitute |
| <i>kasumigaseki</i> | An area of Tokyo but also used to refer to Japan’s bureaucracy which is located there |
| <i>kempeitai</i> | WWI/WWII secret police |
| <i>kūki o yomu</i> | reading the air (idiom that refers to sensing the social atmosphere) |
| <i>naimushō</i> | former home ministry |
| <i>nan shū ron</i> | theories on the south seas (see below for ‘south seas’) |
| <i>nan yō</i> | southern seas (south seas refers to what is now Southeast Asia) |
| <i>nichi-bei</i> | the US-Japan alliance |
| <i>nihon machi</i> | Japan Town (medieval period) |
| <i>rōdōsha haken hō</i> | labour dispatch law |
| <i>sakoku</i> | Japan’s closed country period (1633-1968) |
| <i>san mi ittai</i> | three crowns one body, or in economic terms FDI, ODA and trade |
| <i>seikei bunri</i> | separation of politics and economics (political concept) |

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|------------------------------|---|
| <i>shuinsen</i> | red seal ships |
| <i>tō nan ajia</i> | South East Asia (contemporary term) |
| <i>tōsei keizai ron</i> | managed economy |
| <i>tozama</i> | outer lords (those allied to Tokugawa Ieyasu before the Battle of Sekigahara) |
| <i>wakō</i> | pirates (13 th -15 th century) |
| <i>yonshocho</i> | four ministries of Japan's aid establishment - Ministry of Foreign Affairs (MOFA); Ministry of International Trade and Industry (MITI); Ministry of Finance (MOF); Economic Planning Agency (EPA) |
| <i>yoraba taijyu no kage</i> | a good tree is a good shelter (idiom denoting the desirability of an actor protecting themselves against danger by finding a figurative 'tree') |
| <i>zaibatsu</i> | a pre-WWII industrial conglomeration |
| <i>zenhoi gaikō</i> | omni-directionalism (foreign policy) |
| <i>zoku</i> | tribe (not literally, a political characterisation) |
| <i>zokkoku</i> | client state (re: Gavan McCormack) |

Vietnamese

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| <i>doi moi</i> | renovation (economic policy) |
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Thai

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| <i>lese majeste</i> | not strictly Thai, but the name for a special series of laws that criminalise criticism of the Thai king |
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Cambodian/Khmer

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| <i>khsae</i> | strings, or networks (refers to the personal networks that structure Cambodian politics) |
| <i>okya</i> (classic); <i>oknha</i> (contemporary) | lord, or knight |

Laotian

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| <i>mueang</i> | political community designation, equivalent to a village-state |
| <i>pak-lad</i> | party-state |
| <i>chintanakane mai</i> | Similar to Vietnam's <i>doi moi</i> , refers to the liberalisation of the Laos economy with the New Economic Mechanism (NEM) |
| <i>pavatsat Lao</i> | Laos PDR national history |
| <i>khaa</i> | slave |
| <i>uparat</i> | second king |

Technical Notes

On names, in accordance with convention, Western names are presented given names first while Japanese names are presented family name first. Thai and Laotian names follow the Western system and so are presented given name first. Vietnamese and Cambodian names follow the family name first convention and so are presented as such here.

On spelling, the Hepburn system of Romanisation has been employed whereby a macron is placed over long vowels.

On currencies, unless otherwise stated, dollars refers to US dollars. Also unless otherwise stated, the form of dollar will be 'current' US dollar rather than a value pegged to a standardising year.

1.0 INTRODUCTION

1.1 REMIT OF THIS DISSERTATION

1.1.1 Background

This dissertation is a study of power in Japan's international relations, specifically Japan's relations with the Greater Mekong Sub-region (GMS); an example of a relatively under-explored political unit within International Relations and Area Studies - the sub-region. It intends to demonstrate how Japan is utilising its politico-economic power to affect transition and transformation of the Mekong River Basin Countries (Thailand, Vietnam, Cambodia, and Laos) through aligning them with the regional concept of the Greater Mekong Sub-region. It argues that Japan has been working to generate a particular form of order - the Greater Mekong Sub-region, which is one of a number of similar sub-regional development projects found throughout Southeast Asia, and that Japan's multi-dimensional politico-economic power is being employed to gather the consent needed for Mekong countries to integrate with this Palanyi-esque constructed order. Rather than 'power as domination', it is through 'power as consent generation' - a neo-Gramscian understanding of power - that Japan is achieving this. This neo-Gramscian approach is utilised through the thought of Robert Cox, who argued for the need to understand power in international relations and political-economy in social and historical terms in addition to examining how politico-economic activity operates inter-dependently between material power, institutional power, and ideational power; what Cox refers to as the 'social relations of production'.

This endeavour began with a number of simple observations. First, that military power is increasingly inefficacious in international relations and mainstream theories of the field continually fail to account for, or predict, transformations that are taking place. Second, that power understood through political-economy is a better route to appreciating these transformations and that Japan's avowed foreign policy, constrained from using military power, is based on economic power; making Japan the ideal case study. Third, despite a view of Japan as passive or reactive, the historical record does not bear this out. A great deal of albeit non-mainstream histories recount a high degree of internationalism even during Japan's *sakoku* period (closed country period). Japan's modern colonialism and empire was not simply the emulation of European and American 19th century norms, but the re-living of historical modes of behaviour. This internationalist spirit may sometimes hold back Japanese elites, but it is also often held back by Japan's *nichibei* partnership (US-Japan alliance). Nonetheless, the active internationalist spirit remains. Fourth, Japan's domestic political, economic and socio-cultural modes of thought and operation are different from other's in the top tier of nations which Japan is a member of, and therefore Japan how reflects on and deals with international relations is concomitantly different. The way interests, priorities, behaviours and approaches are planned, adapted, or reformed are the result of social and historical contingency, and Japan's international relations reflect that contingency. By which is meant that Japan historical trajectory has resulted in travelling through a series of modes of production that are not within the liberal state/world order model. Finally, Japan's regional position of dominance is facing increasing competition from its Northeast Asian neighbours of South Korea and China. Given lingering issues of history, political distrust, and competition within similar approaches to economic policy, a structural imperative exists that incentivises these Northeast Asian powers to move towards Southeast Asia rather than each other. From these observations therefore emerged the need to investigate Japan's international relations with Southeast Asia.

1.1.2 What is the puzzle, what is the problem?

In relation to Japan, how can it be that with Japan's history of internationalism in Southeast Asia that stretches back more than five centuries, there would exist only limited contemporary relations? How can it be that given the size of the Japanese economy over the twentieth century, that there would be no attempt to convert economic power into political power and

'institutionalise' gains that have been made in the region; especially in light of challenges from rising Northeast Asian economies? How can it be that if the US-Japan relationship is so important and facilitates Japan's being a 'passive state', why are new Japanese Prime Ministers increasingly making diplomatic first visits and widespread tours to Southeast Asia and not the US or Europe? The answer to these questions is that Japan's relations with Southeast Asia and the Mekong countries *are* historical and well established. Japan *is*, and has been for a long time, attempting to institutionalise gains made, and that Japan may be a passive state at a global level but it is an 'active state' at a regional level, operating in subtle ways that only the paradigm of Critical political-economy can shed light on.

In relation to the Mekong states, more paradoxes emerge that are better understood if Japan's hegemony with them is appreciated. Why is it that the Communist countries of the Mekong region have been able to transform and develop economically, but not been required to transform politically? Why is it that economic integration in the Mekong is occurring without the demonstrated conflict or competition of the Cold War years? Why is it that these processes of transformation began as early as the beginning of the 1980s, and therefore comfortably bookended by traditional post-Cold War periodisation? The answer again comes down to the role played by Japan. Japan's willingness to depart from liberal Western notions of the inseparability of freedom, capitalism and democracy, has meant Japan has been able to re-enter Southeast Asia, and particularly to be able to operate in Communist countries, without the suspicion that the US may engender. Furthermore, Japan's policy has been to work with the 'ASEAN way', creating policies that favour a soft, bottom up regionalism as opposed to a hard, rules-based, top-down regionalism. Japan has also been able to encourage integration in the Mekong that utilises intra-regional complementarity, rather than as in the past, a race by each country to individually reach global markets. Finally, it is because of a long time corporate Japan presence in the Mekong region, in particular in Thailand and Vietnam, which remained despite military confrontation and political disenchantment in Tokyo, that Japan's political advice to make certain reforms was heeded long before the end of the Cold War may have prompted them.

1.1.3 The relevance of Japan

The primary loci of this study of power is Japan. Japan's role in international relations is poorly understood within International Relations as the discipline's diplomatic-military mainstream privileges a gaze that perpetually levels at Washington rather than Tokyo. A tendency towards short-termism also leads to being occupied by the latest 'rising or declining power', rather than appreciating deeply laden, historical structures. There is also a frustrating myopia in mainstream International Relations that can only be judged as Western-centrism. In the wake of the 2008/2009 financial crisis, analysts and commentators were quick to attempt to draw lessons from the 1930s US Great Depression, rather than turning to look at Japan's more recent experience in dealing with its 1980s bubble economy or even, in the specific case of the European Union (EU), looking at the regional response to the 1997 Asian Financial Crisis. Not only does this facilitate a cycle of repetition, whereby the same problems are questioned with the same assumptions; they also narrow the analytical lens towards the creation of a self-referential echo chamber, whereby certain powers are only talking to and learning from themselves and expecting others to follow along.

Japan's international relations therefore become essential for understanding world orders or in the case of this study - sub-regional transformations. This is not only because of Japan's scale within these differing levels of economic organisation, but also because of qualitative differences in the *ways* in which Japan practices political-economy. In historical terms Japan has developed along a trajectory not shared by other Western nations, creating deeply laden historical structures that have developed into particular modalities and externalities. Japan's war-time past and aid based 'return to Asia'; the notion of 'developmentalism', the 'developmentalist state' and the 'Asian way'; and Japan's role as US 'imperial state' in East Asia, all colour how East Asia and its regions have inter-related with the until recently, second largest economy in the world.

Japan's politico-economic *praxis* are also important to understand in order to reflect back on *theoria*. In economic terms, Japan is often a pioneer and testing laboratory for economic ideas and policies. From Takahashi Korekiyo's 'Keynesian' pump-priming of the Japanese economy out of the Great Depression, to 1960s-1980s currency manipulation in the service of an export led growth model (a practice being replicated by China), to the notion of quantitative easing (a trans-literal term invented in Japan, by a German scholar, to describe a new form of economic practice); Japan often invents and tests economic concepts and policies a long time prior to others.

1.1.4 Why Japan's relations with the Mekong River Basin Countries?

Since the 1977 Fukuda Doctrine, Japan has maintained a regional foreign policy agenda that seeks to integrate Southeast Asia. In fits and starts, stumbled by domestic changes in policy, in addition to international events, this general doctrine has remained. The reason this has been less than fully appreciated is not only due to the afore-mentioned side-lining of Japan from analyses of international relations, but also because of the individual/national-state/international levels of analysis preference of the discipline. A study that brings the regional, and the even less appreciated sub-regional unit into the frame, opens up a darkened field of activity in which Japan has been operating. Fresher conceptual frameworks that move towards a 'new regionalism' approach are beginning to emerge to help with this deficiency but often, even when a new conceptual unit is accepted into the analysis, a familiar set of 'rules' are applied. A supposed need for regions to be top-down directed, relying on rules and constitutions, and operating by codified practices - as per the European Union - are recommended as the only way regions can emerge and prosper. This is ever the charge made against Southeast Asian regionalism. A spaghetti soup of acronyms, and a bottom-up, practice based, flexible form of regionalism are often not regarded as 'proper' regionalism. The Fukuda Doctrine committed Japan to working with this 'ASEAN way', and Japan has been highly adept at doing so, ignoring calls from the US and Western nations to encourage greater liberal reforms in the Southeast Asian countries being related with.

Moving down from regions; the sub-region, even the micro-region, and the cross-border 'development triangle' become important units. Since the end of the Cold War not only has ASEAN level regionalisation been increasing, but Southeast Asia has also been sub-divided into three sub-regional units: the Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT); the Brunei Darussalam-Indonesia-Malaysia-The Philippines East ASEAN Growth Area (BIMP-EAGA); and the most highly developed of the three, the Greater Mekong Sub-region (GMS) composed of the Mekong River Basin Countries (MRBCs). These sub-regions are in essence phantasmal conceptual units. They do not represent historical political trends, and have not naturally emerged from the states themselves. They have been conceptually carved out to serve as frameworks for guiding economic interventions. Furthermore, the sub-regions are divided and cross-connected by even more microscopic conceptual apparatus. Economic corridors, development triangles, growth zones are all added as the cornucopia of ideational constructs that are utilised by Japan and its regional partner the Asian Development Bank (ADB) to guide policy and channel transformative economic interventions. This dissertation brings the most developed of these projects - the GMS and the MRBCs - into the front line of analysis.

1.2 THESIS

1.2.1 Thesis statement

This dissertation will argue that Japan's international relations with the Mekong River Basin Countries (MRBCs) demonstrate a proactive and strategic hegemony that utilises politico-economic processes to transform the MRBCs in ways that align with Japan's long-term, sub-regional project - the Greater Mekong Sub-region (GMS).

It will argue this by proposing that Japan uses politico-economic material power rather than military power, in combination with institutional and ideational productive power, to operate a micro-hegemony which generates consent from the Mekong region's national elites to align their individual politico-economic policies and practices with the Japan, and ADB, planned sub-regional project of the GMS. This agenda involves improving connectivity, installing production chains, and upgrading the physical and human capacity of the regions economies in the Mekong region. This is not to help the local populations as is often claimed. Instead, it is to: (1) increase political influence in the region in the face of a rising China; (2) create a Japan friendly trade bloc that serves as an export base and in some cases consumption market; (3) open a new channel of economic activity across the Mekong peninsula that balances the risks associated with the 'Malacca problem'; and (4) further attempt to legitimise Japan's developmentalist economic power approach to its East Asian foreign policy.

1.2.2 Argument structure

The argument in this thesis proceeds along the following seven steps, connected by an understanding of Japan's international relations as being distinct from other countries and the observation of power being operated by Japan as simultaneously relational and structural; and operating across multiple politico-economic levels of activity. Firstly, that Japan's global political-economy, global and transnational in orientation rather than international and inter-state, is primarily power oriented and only secondarily free-market oriented. This is a necessary assumption to make in order to assume the notion of economic power being utilised in this thesis. It is also appropriate given the constraints upon Japan's military based, coercive power projection and so it is therefore through economic power that Japan's elites express Japan's foreign relations.

In the case of Japan, and secondly, this is appropriate because Japan's modern history is indicative towards Japan's operating within an alternate series of historical modes of production to the liberal state/liberal world order model. Since the Meiji Reformation, Japan's then elites set Japan on a course in contrast to the pax Britannia and later pax Americana liberal state/liberal world order alignment. Instead, Japan has travelled through various modes of production represented by various forms of state, but all of which have been within a common historical course more aligned with a state-centric view of the relationship between state and market; more akin to Germany than the Anglo-Saxon liberal model.

Thirdly, this historical path of modes of production causes a conflict between a domestically ingrained politico-economic institutional structure and the world order in which Japan operates, i.e.: pax America (or post- pax Americana). The constraining effect that pax Americana has on Japan is not only in treaty, or normative, or material ways. It is constraining of Japan's desire to construct an alternative world order relations. As such, Japan's foreign relations are marked by a distinct 'think globally but act regionally' philosophy. Yet, and ironically, the constraining effect of pax Americana also creates a constraining effect on Japan's building better regional relations, especially in Northeast Asia. Therefore, Japan is structurally bound to attempt to establish its own form of leadership in Southeast Asia, where Japan is less constrained.

Fourthly, often constrained relationally by a prevailing world power, instead, Japan will enter international society from beneath that world order, and then simultaneously work to create an alternative world order framework. This operates on any level - global, regional, sub-regional, even sub-national - as Japan works to initially manufacture or bolster a preferred politico-economic structure, framework, or agenda; which individual nation-states are then incentivised to adjoin to. Thus, Japan's hegemony operates not between nation-states as major power *vis a vis* minor power, but instead is triangulated between major powers and a sub-regional world order, then by proxy with nation-states. This involves a cyclical exchange between hegemon to sub-regional world order; sub-regional world order to nation-states; hegemon to nation-states to sub-regional world order.

Fifth, once the world order has been constructed, the praxis of this hegemony involves a 'coalition' of public and private sector actors that attempt to sew the regional composite countries into the overarching world order framework. This public-private partnership of Japanese actors pursue a common, albeit, differentiated agenda that is regional and sub-regional in orientation, rather than only country or firm-specific. This coalition is private sector driven but, in the case of many MRBCs is, in the first instance government facilitated through official development assistance (ODA). This economic power relationship between 'Japan state' and 'Japan corporate' roughly complement each other.

This 'strategic capitalism' leads to the sixth stage in the argument. Japan (from here on referring to the afore-outlined coalition of Japan's public and Japan private) utilises a multi-dimensional economic power that operates both directly (relationally from agent to agent) and indirectly (influencing entire structures that agents operate within) to affect other economies by generating consensual change rather than coerced change. The power of a politico-economic analysis allows this dual level operation of power between the relational and the structural to more readily fall into view.

Finally seventh, and to draw the focus back slightly more widely, this hegemony is being used for the purpose of generating greater regional and sub-regional integration not only in the Mekong region but also in other parts of Southeast Asia and between South and Southeast Asia. In some cases this process is more advanced than others, but the motivation, the project, remains the same - to align the politico-economic orientation of various Southeast Asian states into a unit and head them in a direction preferential to Japan's regional worldview. A corollary of this and a point not fully developed in this thesis is that due to increased regional competition from China, Japan's economic power has increasingly since around 2004 begun being leveraged into security arena power politics.

1.3 APPROACH

The approach taken to pursue this thesis and demonstrate this argument is one of Critical global political-economy. In contrast to mainstream neo-Realist or neo-Liberal approaches to *international* political-economy that regard economic relations as either an extension of coercive state power, or as the natural output of coalitional shared interests; the approach adopted in this thesis has been that expressions of power by states along a politico-economic dimension involve a global order perspective (rather than inter-state perspective) whereby country elites increasingly seek their national welfare from world orders rather than relationally between each other. The concepts and theoretical insights from a neo-Gramscian/Coxian school of thought have been employed, whereby power understood in terms of hegemony, operates in terms of coercion *and* consent generation. Gramsci, an Italian Communist imprisoned under Mussolini in the early part of the twentieth century performed a corrective on Marxian theory whereby the state, capitalism and power were understood to be contingently understood, rather than the product of historically impersonal forces. For Gramsci, hegemony was the ability of one social group in co-ordination with state power to generate consent from civil society towards the normalcy of that groups superior position. Robert Cox took Gramsci's insights and imported them into International Relations, arguing that states can operate hegemony in the same fashion; by using ideational and institutional power *in addition to* material power to generate consent from other states towards the former's superior position.

Hegemony, a fundamental ordering principle within international relations, sits in contrast to other concepts of order such as empire or balance of power. Hegemony from a Critical perspective refers to the ability to operate in such terms that what is pursued in a country's foreign relations becomes considered normal, appropriate and acceptable by all those concerned. This is in contrast to alternative mainstream theories of International Relations which regard hegemony in terms of coercion and domination, and usually in military terms. Instead, it is regarded here in politico-economic radical terms. Power is understood in terms of hegemony; production is understood in material but also immaterial ideational and normative terms; and institutions are understood to be historical contingencies rather than permanent facts - all

insights gleaned from a Critical approach to political-economy. Such an approach to hegemony and political-economy allows for parity to be afforded to politico-economic power *vis a vis* military power, while also allowing for the role of institutions and ideas to be appreciated with the same status as material power. In stepping outside of the mainstream of international relations, a Critical approach also affords the appreciation of history as a significant force upon contemporary international relations. Rather than simply background or context, history is regarded as the soil where all contingent representations of power - such as the state, interests, nations - are rooted. A Critical approach to political-economy also allows for a social, and class based, appreciation of power operating globally. It is better able to appreciate a significant morass of activity and actors that operate beyond the nation-state and yet significantly affect the nation-state and its economy. A full understanding of power in international relations therefore means the need to move beyond a national gaze towards appreciating transnational processes and transnational classes of elites.

Hegemony has not been adopted here ideologically, but instead because it is considered that the concept's epistemological and ontological features afford a better interpretation of power in international relations than other approaches to power. Where the evidence does not match the theory, this will be noted and will not be shielded away from. Neither is the word 'hegemony' being used as an adjective, i.e.: as a term of judgment or abuse. Rather, the word is used as a noun, i.e.: to connote a condition of power or a process of power re-configuration. Finally, favouring a Critical approach to hegemony and preferencing one theoretical approach over another is not to therefore in some way be declaring other approaches wrong. Robert Cox explicitly warns against applying his scheme of thought in a rigid, linear, or singular way; and indeed advocates that Realism has some validity but does not go far enough. Hegemony as understood Critically, broadens the view of power rather than necessarily proffering a clearly delineated alternative.

An understanding of power that is based on hegemony is a challenging one to employ. How it has been approached here, has been to utilise Christopher Hughes' notion of power as economic power. Hughes's approach is multi-dimensional (employing production, aid, trade, energy, communication and finance) and multi-level (appreciating agent to agent based power, and structural/relational power). This decision to translate the meta theory of Cox's hegemony into a workable micro theory of hegemony using the notion of economic power, emphasises by implication Cox's material power element of the hegemony triumvirate. It was not to de-emphasise the other two elements of Cox's triumvirate of hegemony (institutional and ideational power), nor was it to suggest any degree of causality, both of which Cox explicitly rules out in his writings. It was simply to allow for the employment of a systematic taxonomy that could be utilised as part of a rigorous research design. Hughes's multi-dimensional and multi-level approach to economic power satisfactorily bridges the epistemological chasm between an agent centred Realism (which Cox would agree with) and a neo-Gramscian structuralism (which Cox would actively promote).

1.4 STRUCTURE OF THIS THESIS

This dissertation has ten chapters, including this one. Subsequent to this introduction, chapter two sets out with a review of the relevant literature in the fields of international relations and political-economy. This is to contextualise the notion of hegemony being employed here, and to situate Cox's notion of hegemony among other notions of hegemony to be found in the extant literature. Chapter three moves on to the methodological approach employed in the study. This involves the enumeration of both the conceptual frameworks used to translate the meta-theory of Cox into a workable paradigm from which to begin a research project, and the description and justification for the specific research methodologies employed.

In order to understand how this theory operates empirically, case studies were analysed, and chapters four through nine examine those drawn upon in the study. Chapter four examines the independent variable case study - Japan. There are many interpretations of Japan's international relations. This chapter will both mark out the field in addition to the position of this research

endeavour within it. The chapter is also intended to situate the unique historical trajectory of Japan, the drivers and constraints that affect the country's international relations, and detail, not the uniqueness of Japan - for that would be a severe ideological error, but the socio-historical contingency of Japan's politico-economy, international relations and the Japanese state.

Moving on to the dependent variable case studies, chapter five begins with a regional focus on Southeast Asia and the Mekong sub-region. Due to the feature outlined in the argument presented above - that Japan's constraints within pax Americana also lead to corollary constraints in Northeast Asia - it is Southeast Asia and specifically the Mekong region that has been the site of so much of Japan's interventionism during and after the Cold War. Constrained in Northeast Asia by developing the full spectrum of material, institutional and ideational power that constitutes hegemony, Japan has found in Southeast Asia and the MRBCs a fertile site with less counter-hegemonic forces for the development of a regional leadership role. Moreover, since the central argument of this thesis is that Japan's hegemony works to generate the consent from states to join a sub-regional order of Japan's construction, this chapter examines what those sub-regional and regional world orders are in relation to Southeast Asia and the Mekong, and what Japan's (and others) role has been in generating and supporting them.

Chapters six through nine then focus on the composite nation-states of the Mekong sub-region: Thailand (chapter six), Vietnam (chapter seven), Cambodia (chapter eight) and Laos (chapter nine). They have been sequenced in this way to reflect not only the scaling of modernisation and development, but more significantly the degree of priority placed on them by Japan. What emerges is a differentiation of politico-economic relations with Japan, but also a differentiation by stage of integration within the region wide framework.

Chapter ten reaches the final conclusion. This is that Japan has indeed been working to generate a particular form of sub-regional world order - the GMS, which is one of a number of similar sub-regional development projects found throughout Southeast Asia, and that power in Japan's international relations is being employed politico-economically to gather the consent needed for Mekong countries to integrate with this order. The biggest question that arises from this conclusion is that of a 'rising China'. This challenge is interesting because of what it is, and of what a mainstream myopia think it is. The challenge from China to Japan is not international; it is China's challenge to the sub-regional world order that Japan has worked to construct that represents the real challenge, and not China's challenge to Japan directly. This world order level challenge means that Southeast Asia and particularly the Mekong region, situated as it is the closest to China, is potentially once again going to be drawn into wider geo-political proxy conflicts between world powers.

1.5 CONTRIBUTION OF THIS DISSERTATION

The original contribution to knowledge of this research is threefold. Firstly, the challenging of a number of settled understandings. The first is the notion of Japan as a passive state; it is not, and it is demonstrating a high degree of strategic vision. A second is challenging the notion that Southeast Asian integration is happening as a natural result of a post-Cold War liberal consensus and pax Americana; it is not, it is being constructed and largely by outside actors. A third, specifically in relation to Mekong region integration, is challenging both the resource model view (that of the UN, encapsulated in the Mekong Commission, and still animating of many scholars) and the trade based business model view (the view of Japan, the Asian Development Bank, and other multilateral donors). Instead, Mekong region integration is interpreted in world order terms as a power based construct through which expressions of hegemony can be attached.

Secondly, the marrying together of a neo-Gramscian/Coxian approach to political-economy with a focus on regional and sub-regional levels of analysis. Robert Cox's traditional approach would be to define world orders in global terms only, however the analysis here suggests that world orders can be multi-level and always inter-dependent. This means that Japan may appear

passive at one level but active at another level, and such a re-framing of Cox's ideas allow for world orders to be applied in regional contexts.

Thirdly, in the relationship between *theoria* and *praxis*, this research has ambitiously attempted to design a research methodology that takes the study of hegemony 'out of the library' and into the real world with a detailed methodology. It is felt by this author that a major drawback of analyses drawing on hegemony is that they have often, because of their historicity, adopted an overly long-term view and rely on tying together broad historical episodes rather than the everyday activities and inter-subjective understandings of actors over shorter periods. Instead, this study has attempted to translate hegemony into a modern research methodology that utilises empirical research methods *in addition to* historical awareness. As such, future studies can hopefully also pursue the investigation of hegemony using primary research and field research, in addition to secondary and historicist analyses.

Readers will gain from this study an understanding of some the most contemporary features of Japan's relations with each of the MRBCs and the GMS; a peering into some of the more unseen and informal locales where Japan's power operates; and a re-interpretation of Japan's international relations and Southeast Asian regionalisation that will highlight a range of new implications for East Asian international relations.

2.0 HEGEMONY, INTERNATIONAL RELATIONS THEORY, AND POLITICAL-ECONOMY

Having established in the previous chapter the topic and focus of this thesis - Japan's politico-economy relationship with the Greater Mekong Sub-region and MRBCs; and having established the thesis - that Japan's international relations demonstrate a proactive hegemony that utilises politico-economic processes to transform the MRBCs in ways that align with Japan's long-term, regional, developmentalist strategy; this chapter seeks to locate the notions of power, hegemony and order within the fields of international relations theory and theories of political-economy.

The first section will locate how the notions of power, hegemony, and order are understood within the broad field of International Relations. This is for two reasons: (1) first, to identify for the reader the multitude of differing schools of thought with regards to these concepts, and (2) to situate this study's approach within them. This study comes to the field of International Relations from a non-mainstream, Critical perspective. However even a Critical approach to understanding international relations represents a 'big tent' of a thought school, riven with internal differentiations. An attempt will therefore be made to situate as precisely as possible the assumptions and approaches taken here.

The second section will focus more closely on the sub-field of International Relations, Political-Economy, and examine how the broad epistemological and ontological assumptions of the main school of thought within International Relations are reflected within Political-economy. Broadly speaking within a neo-Marxian worldview, Robert Cox's theory of international relations is closely related to this sub-field of the discipline, and so it is here that it is possible to begin exploring the specifics of a non-mainstream, Critical approach to the main focus of this study - economic power.

In the third section, a close reading of Cox's theory will be presented. It is felt that Cox's extremely broad range of thought and rich analytical schema is often not fully appreciated by the mainstream of the discipline and often even by those attempting a Critical analysis using his ideas. Too often are snippets such as 'hegemony means coercion *and* consent', 'theory is always for someone and for some purpose' or the need to distinguish between 'problem solving theories and Critical theories', allowed to act as shibboleths for a Critical approach to political-economy. Often lost is the far more panoramically complex range of Cox's theory of world order, and this section attempts to remedy that by not only enumerating it in detail but also critiquing it in order to locate its utility for a study of Japan and Southeast Asia.

2.1 POWER, HEGEMONY, AND TRANSFORMATION IN INTERNATIONAL RELATIONS THEORY

International Relations analysis is the study of "how actors abilities to shape and set the conditions of their existence and action are affected and effected by international relations".¹ The discipline has discerned three characteristics of power – as an attribute, as a relation, and as a structure.² As attribute, power is how an actor is characterised, e.g.: actual vs. latent power, hard vs. soft power, empire or hegemon. In relational terms, power is the way or process by which actors influence one another, or in the classic definition of Robert Dahl, power is the ability to get others to do what they otherwise would not do.³ However, power is also more than the ability to shape 'what' is done. It is also the ability to shape the 'how' and the 'why'; the ability to manage frameworks within which relations take place and are understood. Thus as structure, power can be the ability to influence actors' interests and preferences, or the ability to

¹ Barnett, Michael. & Duvall, Raymond. (2005) 'Power in International Relations'. *International Organisation*, Vol. 59, Issue. 01, pp39-75 (p. 57.)

² Brown, Christopher. (2005) *Understanding International Relations*. Hampshire & New York: Palgrave Macmillan (3rd ed.)

³ Dahl, Robert. A. (1961) *Who Governs? Democracy and Power in an American City*. New Haven, Connecticut: Yale University Press

re-constitute and re-produce historically rooted social, economic and ideational, relations and discourses.

2.1.1 Power, Hegemony, and Transformation within Realism/Neo-Realism

Realism and neo-Realism arguably form the orthodoxy - or at least an American orthodoxy - of how to understand theory in International Relations.⁴ Traditionally privileging the 'high politics' realm (diplomacy and military), these mainstream International Relations approaches have attempted to analyse how states use material power to threaten, balance, or compel other states to act (or not act) using force. According to A. J. P Taylor, "the test of a great power is...the test of strength for war".⁵ Realists, drawing on a Hobbesian view that human nature is in a continual fear of danger and violent death and as such, intuitively tries to attain as much power as possible in a state of nature that is concomitantly based on continual conflict.⁶ Realists such as Hans Morgenthau utilise a priori's such as: "the social world is but the projection of human nature onto the collective plane".⁷ Key thinkers such as Hedley Bull, Reinhold Niebuhr, Nikolas Spykman, George Kennan, and John Mearsheimer are united, to varying degrees, with Hans Morgenthau's six principles of political Realism from *Politics Among Nations*.⁸ Structural Realists such as Kenneth Waltz have re-focused Realism upon the international as a level of structure beyond the state, which is necessary for consideration. Utilising a three-part definition of structure – how it is organised, how parts are differentiated, and capability distribution – Waltz posits that the international is a structure of 'anarchy', requiring states to be guided by the fundamental principle of 'self-help'. Order emerges through the need for 'balancing' in the form of alliances, power alignments, and 'band-wagoning'.⁹ Power for neo-Realists is understood as atomised and state-centric; where uni-lateral power is central; and where the proper level of analysis is on behaviour (as opposed to ideas or relations).

Neo-Realists make two contributions to understanding hegemony: 'hegemonic stability theory', and the history of rising and declining powers. States are volitional, self-interested, power aggrandizing in a self-help system of anarchy. In such a system, states act imperially, basing their power on military guaranteed control over material resources, geography, and peoples. Order arises through a clear hegemon, acting instrumentally to influence others, thereby guaranteeing stability for the system as a whole. 'Hegemonic stability theory' was first proposed by Charles Kindleberger, who argued that the great depression in the 1930s and subsequent WWII were caused by the US holding back from replacing the hegemonic role played by Great Britain.¹⁰ Instability results from the lack of a clear controller who guarantees stability. This controller however, must have a clear interest in being a hegemon.¹¹ Thus in the 1930s, the US did not perceive a clear self-interest in supporting the international system, leading to systemic chaos as alternative hegemons rose to fill the power void. Instability in the post-Cold War system, in the form of transnational terrorism, claims Niall Ferguson is the outcome of the same phenomenon - the US holding back from declaring itself the 'colossus' that it *de facto* is.¹² This is hegemony as coercion, i.e.: the notion that a large power by sheer

⁴ Hoffman, Stanley. (1977) 'An American Social Science: International Relations'. *Daedalus*, Vol. 106, No. 3, pp41-60

⁵ Taylor, Alan. J. P. (1954) *The Struggle for Mastery in Europe, 1848-1918*. Oxford: Oxford University Press, p. XXIV.

⁶ Hobbes, Thomas. (1982) *Leviathan*. London: Penguin, Penguin Classics

⁷ Morgenthau, Hans. J. (1962) *Politics in the Twentieth Century*. Chicago: Chicago University Press, p. 7.

⁸ Morgenthau, Hans. J. (1967) 'To intervene or not to intervene'. *Foreign Affairs* (April, 1967), pp4-11

(1) political Realism is based on objective laws that are rooted in human nature, (2) 'interest' is defined in power terms and makes politics a separate sphere of social activity; (3) the political is primary and thus creates a hierarchy of validity with 'high politics' at the top (diplomacy, military affairs) moving down to 'low politics' (economic exchange); (4) the definition of 'interest' is the 'national interest' is based on power that is not fixed, and its content is determined by the political environment; (5) universal moral principles cannot be applied to the actions of states unless they are filtered through concrete actions of time and space – everything 'depends on the situation'; (6) universal moral laws and nation-state principles are separate and a state cannot thus use universal morality or norms to justify its behaviour.

⁹ Waltz, Kenneth. (1979) *Theory of International Politics*. Reading, Mass: Addison-Wesley; Waltz, Kenneth. (2000) 'Structural Realism after the Cold War'. *International Security*, Vol. 25, No. 1, pp5-41. See also: Walt, Stephen. (1987) *The Origins of Alliances*. Ithaca, NY: Cornell University Press (Cornell Studies in Security Affairs)

¹⁰ Kindleberger, Charles. (1973) *The World in Depression: 1929-1939*. LA, Berkley: University of California Press

¹¹ Mearsheimer, John. (2003) *The Tragedy of Great Power Politics*. New York: Norton Books

¹² Ferguson, Niall. (2003) *Empire: The Rise and Demise of the British World Order and the Lessons for Global Power*. New York: Basic Books; Ferguson, Niall. (2004) *Colossus: The Rise And Fall Of The American Empire*. New York: Penguin Books

scale and ultimately coercion can use material power to induce change in another actor by threatening them. Order emerges through the balancing of parity of strengths, or acquiescing to domination. This is not a set of assumptions made in this study.

2.1.2 Power, Hegemony, and Transformation within Liberalism/Neo-Liberalism/Neo-Institutionalism

The liberal tradition essentialises human nature as more co-operative than Realism's Hobbesian fear and Machiavellian scheming. Rather than competitively self-interested, Liberals have argued that individuals, and nation-states, are more likely to tend towards communion and collaboration, if given the freedom to do so. Emerging from Immanuel Kant's model for a republican government in *Perpetual Peace*,¹³ to David Mitrany's Functionalist model for European integration,¹⁴ to Robert Keohane and Joseph Nye's notion of 'complex inter-dependence',¹⁵ Liberals appreciate power through individual actors collectivizing their common interests through shared institutions, which in turn facilitates order. The notion of 'complex inter-dependence' implies that rather than states being unified poles of accumulated power as Realists argue, they are multi-modal sites of competing interests. These varying strands of interests, often economically driven, draw states into varying levels of trans-national inter-dependence, out of which it becomes increasingly costly to separate from and potentially become belligerent.¹⁶ Power in contemporary international affairs is less coercive than in the past because of the increasing web of institutional and normative connectivity - 'complex inter-dependence'.¹⁷ Important to note, is that this liberal institutionalist notion of power does not mean states are necessarily permanently constrained. In fact states are still, and will always be, central and capable of aggression. As Robert Keohane pointed out in later work, pure institutionalism would mean being naïve about the ever-present potential for power and conflict in international society.¹⁸

Hegemony within this tradition is not about the overwhelming dominance of a single hegemon, but a collective of powers. Rather than coercion, these powers are collected together in agreed and accumulated shared interests. Robert Keohane and Joseph Nye argue that a decline in military efficacy, and a multi-dimensional channelling of power, is leading to an increase in co-operation among states.¹⁹ Hegemony is the ability to attract others, through co-operative or 'soft power',²⁰ and this does not preclude alternative hegemons existing together. Order results from either institutions as either tangible brick and mortar places, intangible sets of rules and practices that go on to form a regime ('implicit or explicit principles, norms, rules and decision making procedures around which actors expectations converge').²¹ These become repositories of relinquished but shared power, and can manage otherwise non-cooperative behaviours such as cheating or free-riding. Keohane has gone on to argue that in spite of the decline of the original hegemon that created it, international institutions can continue to operate a form of latent hegemony.²² Thus, this is a form of hegemony but one built on attraction, i.e.: the ability to form hegemonic groupings based on shared interests and abilities. This is not the understanding assumed in this study, since it denies the degree to which power can *construct* the very institutions and regimes that are deemed so naturally attractive by the liberal tradition, in order for the established powers to seal in the gains made.²³

¹³ Kant, Immanuel. (1795) *Perpetual Peace*. Available at <https://www.mtholyoke.edu/acad/intrel/kant/kant1.htm> (accessed 02.04.2013)

¹⁴ Mitrany, David. (1966) *A Working Peace System*. Chicago: Quadrangle Books; Mitrany, David. (1975) *The Functional Theory of Politics*. London: Martin Robertson

¹⁵ Keohane, Robert. & Nye, Joseph. S. (1977) *Power and Interdependence: World Politics in Transition*. Canada: Little, Brown & Company Ltd; Keohane, Robert. & Nye, Joseph. S. (1987) 'Power and Interdependence Revisited'. *International Organisation*, Vol. 41, Issue 4, pp725-753

¹⁶ Keohane, Robert. & Nye, Joseph. S. (1972) *Transnational Relations and World Politics*. Massachusetts: Harvard University Press
¹⁷ *ibid*, Keohane & Nye (1977); *ibid*, Keohane & Nye (1987)

¹⁸ Keohane, Robert. (1984) *After Hegemony*. New Jersey: Princeton University Press

¹⁹ Keohane, Robert. & Nye, Joseph. S. (1972) *Transnational Relations and World Politics*. Massachusetts: Harvard University Press

²⁰ Nye, Joseph. S. (1990) *Bound to Lead: The Changing Nature of American Power*. New York: Basic Books

²¹ Krasner, Stephen. D. (1983) *International Regimes*. Ithaca, NY: Cornell University Press

²² Keohane, Robert. (1984) *After Hegemony*. New Jersey: Princeton University Press

²³ Kapstein, Ethan. B. (2005) 'Power, fairness, and the global economy'. In Barnett, Michael & Duvall, Raymond. (eds.) *Power in Global Governance*. Cambridge: Cambridge University Press (Cambridge Studies in International Relations)

2.1.3 Power, Hegemony and Transformation within the Structuralist Tradition

The Marxist tradition regards power and hegemony in structural, usually class based, rather than agent centred terms. 'Structure' as a social science concept, is understood slightly differently between the academic disciplines. A structure can be historical, economic, political or knowledge based, but generally share the following epistemological and ontological underpinnings: (1) a structure is unconscious not conscious, material not metaphysical, deterministic not humanistic; (2) a structure is founded not on 'things' (elements in and of themselves) but on relations; (3) structures are complete, logical and all-encompassing; (4) structures are not static but dynamic; and (5) structures are found everywhere, in all systems of thought and knowledge.²⁴ However even with these benchmarks set out, the notion of structure remains a slightly ambiguous concept across the academic disciplines. Within International Relations theory the agent-structure debate that took place across the social sciences has of course taken place. However Colin Wight points out that multiple models of structure remain, and drawing on Raymond Boudon's two part division of *traditions* towards structuralism, Wight distinguishes between: (1) sociological structuralism or functionalism which regards social relations as a complex system with emergent properties (re: Herbert Spencer, Talcott Parsons or Robert Merton, and employed by Kenneth Waltz in International Relations theory), and continental or post-positivist structuralism (re: Althusser, Levi-Strauss, Saussure, and employed by Richard Ashley in International Relations theory).²⁵ The reader will soon discover that this thesis moves forward in the tradition of the former of these traditions, albeit with a keen appreciation of the latter.

From the Marxist tradition, structures are encapsulated by historically rooted, materialist economic structures.²⁶ The coalescence of one class's control over the material power - the means of production - forms a historical mode of production that legitimates the exploitation of one class by another. Modes of production are causative, i.e.: the economic base of a given mode creates other social outputs e.g.: society, law, politics etc., and the current mode of production - capitalism - structures all contemporary social relations. Modes of production are also historically rooted, and one must dialectically break down under its own contradictions before another can take its place.²⁷ Rather than regarding power as analogous to the 'billiard ball' model, Structuralists regard the international system in its totality and from a neo-Marxist perspective state characteristics and behaviour emerge from the historically economic position it is situated in. The Singer-Prebisch thesis, the foundation of the Latin American school's Dependency Theory and more broadly post-WWII policies towards Import Substitution Industrialisation (ISI) argued that due to structural imbalances in international trade, poor countries would inevitably become poorer while rich countries became richer as global capitalism spreads and develops, due to the 'declining terms of trade' embedded within capitalism.²⁸ That is, the differences in appreciation and depreciation in value of primary sector *vis a vis* tertiary sector goods and commodities. Immanuel Wallerstein's World Systems Theory proposes that state characterisations and domestic structures are the result of their position in the world economy.²⁹ The strict materialism, the causative historicism, and the 'one size fits all'

²⁴ Marcos, Louis. (2000) 'Lecture 72: Structuralism, Saussure and Levi-Strauss'. *Great Minds of the Western Intellectual Tradition, lecture 54*. The Teaching Company: The Great Courses (DVD series)

²⁵ Wight, Colin. (2006) *Agents, Structures and International Relations: Politics as Ontology*. Cambridge: Cambridge University Press (Cambridge Studies in International Relations)

²⁶ Marx, Karl. (1867) *Capital, Vol. 1*. Available at <http://www.marxists.org/archive/marx/works/1867-c1/index.htm> (accessed 13.03.2013)

²⁷ This idea becomes very important when examining the politico-economies of old Indochina - Vietnam, Cambodia and Laos. Ostensibly Communist by regime but embracing of export driven growth capitalism, the regimes have twisted and turned Marxist theory to suit their political needs. Since Communism should be the natural product of a historically staged shift from capitalism to socialism to communism, the regimes have gone to great lengths to justify their own agent level decision making, eg: 'using capitalism to safeguard communism', or 'inserting pockets of capitalism so as to speed up the necessary transition'.

²⁸ Singer, Hans. W. (1950) 'U.S. Foreign Investment in Underdeveloped Areas: The Distribution of Gains Between Investing and Borrowing Countries'. *American Economic Review, Papers and Proceedings*, Vol. 40, pp473-485; Prebisch, Raul. (1950) 'The Economic Development of Latin America and its Principal Problems'. United Nations Economic Commission for Latin America. Reprinted (1962) *Economic Bulletin for Latin America*, Vol. 7, No. 1, 1962, pp1-22

²⁹ Wallerstein, Immanuel. (1979) *The Capitalist World-Economy*. Cambridge: Cambridge University Press.

nature of Marxism are problematic however. It does not account for the importance of the immaterial (ideas, norms and habit); it does not adequately account for the non-economic material (institutions and laws); it cannot account for differing levels of capitalist development or differing forms of capitalism; and finally, cannot account for the great degree of 'buy in' that the so-called exploited classes give to capitalism. This last point was taken up by Antonio Gramsci.

A life long sickly Italian Communist under Mussolini's fascist regime, Gramsci was sentenced to twenty years in prison after the charge by his prosecutor that "for twenty years we must stop his brain from working".³⁰ Scribbling short notes in prison that were smuggled out by his friend Piero Sraffa, his work - the Prison Notebooks - forms the basis of a neo-Marxist concept of hegemony. Gramsci performs a corrective on Marx's a-social historical materialism and does so, according to one his biggest champions - Kees Van Der Pijl, by replicating from the opposite political persuasion similar arguments made by Italy's neo-Machiavellian elitists. These 20th century Machiavelli's had realised that: (1) politics is only about amassing and maintaining power; (2) the ruling class is too few in number, therefore; (3) needs to mobilise a 'new middle class' who can act as allies to maintain the validity of the current system by; (4) creating and propagating propagandistic social ideas for the purpose of mass mobilisation, e.g.: 'nation' or 'war'.³¹ The ancient Romans had also understood this well. Maintaining a practice of selecting a respected elite within a conquered people and 'civilising them' by granting access to Rome and its ruling class, adding all the accoutrements to match, the individual could then be released back into its home community to act as civilising mouthpiece for the Roman elite. Once the conquered people began wearing togas of their own volition, the task had been achieved.

Crucial is to distinguish between *state* and *civil society*, and question how the state (a coercive force) gains consent from civil society (the consenting force). The reason Communism could not spread outside of Russia, and more generally why Communism did not spread faster given that so many are exploited by it - Gramsci's central question - was because Europe (Italy for him) had a developed civil society which Russia did not. The Russian state was large and stood in contrast to an isolated peasant level village civil society, meaning the Russian state could impose at will a new system that a European state could not. Marx's historical materialism was problematic as an interpreter, because it failed to note the social contingency between state and civil society in how capitalism operates. The State (understood in Gramsci's broad or, 'extended State' terms) is a centaur - the horse half representative of coercion, and the human half representative of ideological power or consent. When the state's interests are replicated willingly by civil society, hegemony has been achieved, i.e.: political control is not only domination by coercion but also hegemony through consent.³² Hegemony is achieved when the ruling elite does not need to stand ever ready with the whip. It is achieved when civil society *believes* in what they are doing and do not think about a ruling elite and the form of capitalism that they propagate.

And so, mirroring the neo-Machiavellians, Gramsci proposed that transformation can only emerge when: (1) an organised party or 'prince' recognises that; (2) the revolutionary class is too small in the modern 'extended state' therefore it must; (3) build an alliance of social forces or a 'historic bloc' where other social classes are connected to the working classes by; (4) challenging the ruling classes hegemony within the middle class and win over 'intellectuals' to the cause of the working classes. Intellectuals are crucial to Gramsci's thinking, and he distinguishes between 'traditional intellectuals' (for example professional literary or scientific thinkers) who ostensibly autonomously seek a universal truth and maintain an inter-class aura, but are none the less products of historical patterns of class formation; and 'organic intellectuals'

³⁰ Hoare, Quentin. & Nowell-Smith, Geoffrey. (1999) *Selection from The Prison Notebooks of Antonio Gramsci*. London: The Electric Book Company (London, UK: Lawrence & Wishart, 1971), p. 120.

³¹ Van Der Pijl, Kees. (2009) *A Survey of Global Political-economy*. University of Sussex, version 2.1, October 2009. Available at <http://www.sussex.ac.uk/ir/research/gpe/gpesurvey/> (accessed 16.10.2013)

³² Separately, Michael Mann calls this 'infrastructural power' and it can be used to describe not only capitalist states but also Communist states such as China or the bureaucratic states of the West. Mann, Michael. (1984) 'The Autonomous Power of the State: Its Origins, Mechanisms and Results'. *European Journal of Sociology*, Vol. 25, Issue 02, pp185-213

(who are representative of a particular social group and its interests).³³ The peasantry are unlikely to produce their own organic intellectuals, nor have access to the traditional intellectuals,³⁴ and Gramsci's notebooks list the differing groups that organic intellectuals emerge from.³⁵ Scholars have continued searching for organic intellectuals in international relations by widening the definition to include institutions as agents of ideas production. This definition will become important in this study in relation to the interest propagating role of the Asian Development Bank (ADB).

From Gramsci's thought emerges a space for examining the social bases of power, hegemony and transformation. Institutions (as the connectives between state and civil society, e.g.: bureaucracy or education) and the immaterial (as the mobilising ideals, e.g.; ideology, norms) all become potential sites for Critical analysis; sites that are not mere outputs of particular configurations of economic forces, but as causative forces in their own right. Power and hegemony need to be understood in economic but *also* social terms.

At this point it becomes pertinent to acknowledge Gramsci's limitations. Any desire to pull out a systematic 'Gramscianism' from Gramsci's prison notebooks must be tempered by a number of caveats: (1) The Prison Notebooks is not a complete and edited monograph but rather a collection of many fragments; (2) these fragments had to be written in code to escape Gramsci's jailers, potentially causing inter-textual issues with meaning (for example, Gramsci hardly used the red flag word of 'class', instead opting for the more neutral 'social group'); (3) Gramsci's context was unique to him - Italy was a modern nation-state of a similarly young pedigree to Japan, fractured into city states with extreme regional variations, and a high level of poverty and under-industrialisation. It then becomes doubly difficult to translate Gramsci's ideas into the field of International Relations, a field he was not explicitly writing for. On the formation of neo-Gramscianism, if there is such a thing, Julian Saurin writes: "It is difficult to present neo-Gramscian IR as a theoretical tradition [...] It is better understood as a general approach or vague disposition [...] The Notebooks are simply too fragile, too fragmentary, and too intellectually mercurial from which to attempt to reconstruct a distinctive concept of the international or global that can seriously be attributed to Gramsci".³⁶ As such, some of the concepts and approaches employed here are not necessarily clearly defined to the level sought by some 'physics envy' social science courses. However as the sections below will demonstrate, the temptation to apply Gramsci's insights to international relations did not begin with this study, and progress has been made to produce a more systematic neo-Gramscian approach.

2.2 POWER AND HEGEMONY IN POLITICAL-ECONOMY

The previous section attempted to clarify the approach being taken to power and hegemony, approaching as it is, from a neo-Gramscian orientation. This section aims to scrutinise how these theoretical differentiations emerge within political-economy, the main discipline of this thesis.³⁷ The rise of political-economy challenges traditional international relations in a number of ways. It forces the observer to consider not only states, but also corporations; to consider capital and labour, not only diplomacy and militaries; to appreciate process (such as globalisation and regionalisation), and not only stasis (in the forms of states and inter-state relations). This manner of analysis necessitates the understanding of hegemony (structures) and hegemonics (processes). An appropriate way to organise this is to

³³ *ibid.*, Hoare & Nowell-Smith (1999)

³⁴ *ibid.*, Hoare & Nowell-Smith (1999)

³⁵ Italian universities (p106-107); Liberals/Moderates (p136-151; p152-153); the Clergy and a priestly class (p162-163; p182-183) and various geographical groupings of intellectuals - Sicilian, French, Italian. See: Buttigieg, Joseph, A. (2011) *Antonio Gramsci: Prison Notebooks, Vol. 1*. Columbia: Columbia University Press (Chichester, West Sussex: Columbia University Press, 1975)

³⁶ Saurin, Julian. (2008) 'The Formation of Neo-Gramscians in International Relations and International Political-economy: Neither Gramsci nor Marx.' In Ayers, Alison, J. (ed.) *Gramsci, Political-economy, and International Relations Theory: Modern Princes and Naked Emperors*. Hampshire & New York: Palgrave MacMillan, p. 36. - p. 37.

³⁷ It is understood that a disciplinary debate exists as to whether political-economy is to be properly understood as a branch of international relations, or whether it is a separate discipline which would make the approach taken here - carrying lessons over from International Relations into Political-Economy - fruitless. The assumption made in this thesis, focused broadly as it is on power, is that rough comparative cross-overs can be made but with an awareness of different practices and focuses between the disciplines.

make a distinction of foundational assumption: the question of whether political-economy should be best understood as *international* political-economy or *global* political-economy.

2.2.1 International Political-Economy (IPE) OR.....

Mainstream approaches to International Relations tend to coalesce around an understanding of political-economy within international relations as IPE. That is, political-economy as it occurs between nation-states primarily, or nation-states ultimately. State-centric IPE in the 19th century brought about Mercantilism; the idea that economics is and should be used to supplement state power. As the 19th century nationalist economist Friedrich List put it: “war is nothing but a duel between nations, and restrictions of free trade are nothing but a war between the powers of industry of different nations”.³⁸ Realists have continued this pattern of thinking - competition between interests in an anarchical system as the basis of international relations - whereby the state is a vessel through which these economic interests are pursued. While the military dimension of this power competition may be in decline, this does not preclude the economic dimension of state relations from also being competitive. Self avowed Realist Robert Gilpin argues narrowly that political-economy properly contains three main schools of thought: neo-classical institutionalism, public-choice theory, and ‘new political-economy’ that seeks to discover “the political determinants of economic policy”.³⁹ Moreover, the road can run in two directions and if the politics of economic power are to be understood then the economics of political policy can also be questioned, and from a Realist perspective. Blanchard et al argue that the political-economy of national security needs greater examination,⁴⁰ and Andrew Baldwin has offered a taxonomy of ways through which this can be achieved; how states can employ economic power in the pursuit of a national interest re-defined in economic rather than politico-security terms.⁴¹

In the context of the Cold War, analyses emerged to match the world order. Nazli Choucri and Robert North’s argued that as states develop economically there is always a strong chance for conflict due to increased resource competition.⁴² A dominating hegemon is important because it facilitates an open trading system, while a declining hegemon inspires a retraction of international trading confidence.⁴³ However hegemons rise or fall, depending on their material resources. Economic and military resources, argues Robert Gilpin, are always destined to decline due to the increasingly wider access to economic and military resources.⁴⁴ Such cyclical thinking has found common company in Paul Kennedy’s notion of rising and falling powers where, as Western great powers inevitably decline, they are replaced by alternatives such as the European Union or Japan.⁴⁵ Uniting these approaches is the belief that power is material, hegemony based on state based domination or supreme (material) power, and that power is zero-sum, i.e.: that as one gains, another loses.

Liberals, neo-Liberals and Liberal Institutionalists share many of the same rationalised, individualistic, a-social assumptions and Realist/neo-Realists.⁴⁶ The (in)famous Francis

³⁸ cited in: Samuels, Richard. J. (1994) *Rich Nation, Strong Army: National Security and the Technological Transformation of Japan*. Ithaca, NY: Cornell University Press (Cornell Studies in Political-economy), p. 6.

³⁹ Gilpin, Robert. (2001) *Global Political-economy: Understanding the International Economic Order*. Princeton, NJ: Princeton University Press, p. 28.

⁴⁰ Blanchard, Jean-Marc., Mansfield, Edward. D. & Ripsman, Norrin. M. (2000) ‘The Political Economy of National Security: Economic Statecraft, Interdependence, and International Conflict’. In Blanchard, Jean-Marc., Mansfield, Edward. D. & Ripsman, Norrin. M. (eds.) *Power and the Purse: Economic Statecraft, Interdependence and National Security*. London & Portland: Frank Cass (Cass series on Security Studies)

⁴¹ Baldwin, David. (1985) *Economic Statecraft*. Princeton: Princeton University Press.

⁴² Choucri, Nazli. and North, Robert. C. (1975) *Nations in Conflict: National Growth and International Violence*. San Francisco: W. H. Freeman and Co.

⁴³ Krasner, Stephen. (1976) ‘State Power and the Structure of International Trade’. *World Politics*, Vol. 28, No. 3, pp317-347

⁴⁴ Gilpin, Robert. (1981) *War and Change in World Politics*. Cambridge: Cambridge University Press.

⁴⁵ Kennedy, Paul. (1987) *The Rise and Fall of Great Powers: Economic Change and Military Conflict from 1500 to 2000*. New York, USA: Random House

⁴⁶ See: Krugman, Paul. (1996) *What Economists Can Learn From Evolutionary Theorists?* Speech to the European Association of Evolutionary Political-economy (EAEPE), November 1996. Available at <http://www.mit.edu/~krugman/evolute.html> (accessed 29.05.2013).

Liberal economist Paul Krugman defines economics as: (1) Economics is about what individuals do: not classes, not ‘correlations of forces’, but individual actors. This is not to deny the relevance of higher levels of analysis, but they must be grounded in individual behavior; (2) individuals are self-interested. There is nothing in economics that inherently prevents us from allowing people to

Fukuyama hypothesis of a triumphant neo-Kantian belief in the supremacy of liberal-capitalism as the truest model for the politico-economic organisation of human activity,⁴⁷ encapsulates both the liberal ideal and liberal hubris; especially as Fukuyama himself has had to re-consider his position since the resistance to that order with the events of 9/11.⁴⁸ Where they differ is as to whether interests can be mutually shared and coalitions of interests formed. Robert Keohane and Joseph Nye's concept of 'complex inter-dependence', the cornerstone of liberal institutionalism argues that the international political-economy can hold coalitions of shared politico-economic interests while neo-Liberals call for ever more markets to replace the self-serving nature and distorting effect of nation-states. Barriers to the networking of these interests, such as trade tariffs or other forms of protectionism are to be pulled down, and comparative advantage, the invisible hand, open competition, commodification and privatisation are to be encouraged. While the 'embedded liberalism', or rather the 'embedded neo-liberalism', of the current world order is in no doubt, the underlying power dynamics re-enforcing it are not. The liberal world order is neither free, nor fair, nor natural. It is necessary to approach political-economy from a perspective that admits questions of power, but social and structural power, and that accepts the importance of history and ideas.

2.2.2Global Political-Economy (GPE)

Within the non-mainstream thinking of *global* political-economy it is possible to move towards a broader appreciation of political-economy. The use of the word 'global' rather than 'international' to preface political-economy here is more than semantic. It is a signal of an alternate set of ontological and epistemological assumptions. While the state may remain an important actor, from a global perspective the political and economic spheres of life occur within world in addition to/rather than state-centric relations. Actors, structures, and norms, are not necessarily driven primarily by states, and states increasingly organise their politico-economic frameworks towards considerations of world order rather than national considerations.

The starting point is to recognise the historical and social contingency of markets and market forms within world orders. Karl Polanyi's historical sociological insight that nation-states and markets require the reconstruction of one form of human society into the 'market society' is crucial. Contemporary markets and institutions do not necessarily result from socially a-priori individuals but require the individual to be re-configured in order to fit those market forms and institutions.⁴⁹ Once established, they remain sociological constructs and in contrast to approaches that tend towards the reification or idealisation of 'the individual', 'the market' and 'the nation-state', Critical approaches recognising the Polanyi insight, do not drop that socially constituted understanding. In the words of Chalmers Johnson: "A sociologically valid theory of the market must incorporate not just market principles and forces but also institutions, rules, histories, legal judgements, and cultural norms concerned with such things as gender, age, inheritance, and family obligations. This is the realm not of economic theory, but of political-economy".⁵⁰

Second, to study power and hegemony means going beyond balance or imbalance at the unit level, and instead consider a structural level of analysis, i.e.: to see totalities. These structures are both transnational and global, in addition to being immaterial as well as material. Susan Strange appropriately refutes the neo-classical acceptance of a distinction between market and state, and argues that power is structural *and* relational, and multi-dimensional in operation.⁵¹

derive satisfaction from others consumption, but the predictive power of economic theory comes from the presumption that normally people care about themselves; (3) individuals are intelligent: obvious opportunities for gain are not neglected. Hundred dollar bills do not lie unattended in the street for very long; (4) we are concerned with the interaction of such individuals. Most interesting economic theory, from supply and demand on, is about the 'invisible hand'; processes in which the collective outcome is not what individuals intended

⁴⁷ Fukuyama, Francis (1992) *The End of History and the Last Man*. London: Free Press

⁴⁸ Fukuyama, Francis (2002) 'History and September 11th'. In Booth, Ken. & Dunne, Tim. (eds.) *Worlds in Collision: Terror and the Future of Global Order*. Hampshire & New York: Palgrave MacMillan.

⁴⁹ Polanyi, Karl. (2001) *The Great Transformation: The Political and Economic Origins of Our Time*. Boston, Mass: Beacon Press. (2nd ed.)

⁵⁰ Johnson, Chalmers. (1995) *Japan: Who Governs? The Rise of the Developmental State*. New York, USA: Norton & Company, Inc, p. 43.

⁵¹ Strange, Susan. (1988) *States and Markets*. New York: Basil Blackwell

Power assumes two forms, relational and structural - relational power being the ability to influence another actor, while structural power is the ability to influence the totality of the system in which those actors operate.⁵² Power is also multi-dimensional in expression, and Strange posits four primary and four secondary power structures in international political-economy,⁵³ arguing further that it is more important to have power over structures than of resources.⁵⁴ Control over the primary structures increases the likelihood of control over the secondary power structures, and the greater the structural power i.e.: the ability to 'write the rules', the greater the relational power i.e.: the ability to bargain. The reader will note that Strange's ideas are fundamental to understanding the remainder of this dissertation as not only have they been conceptually incorporated into the analysis but have played a significant role in the methodological approach taken to operationalizing hegemony (see chapter three).

Third, institutions are understood in three ways.⁵⁵ Firstly, in contrast to liberal institutionalists, who argue that institutions historically emerge from market failure and manage competing interests peacefully, Critical approaches regard institutions as accretions of power. The state, the family, the corporation are not value neutral but instead sites of class power. Secondly, institutions are not uni-directionally created from capital but *are* overly determined by it. Capital does not directly determine manifestations such as contracts, private property, political life, etc.; as in Marx's base-superstructure notion. However historically contingent capital strongly influences the nature of these manifestations. Thirdly, a Critical approach to institutions is to regard the State, the primary institution of the modern period, as a paradox. It is the representation of accrued class power, however at the same time it must remain autonomous in order to allow capitalism to continue. The State therefore can have a remedial or corrective capacity over the market, and as such, is a unique institution.

These general assumptions of a GPE understanding of political-economy leave a lot of scope for differing approaches. Neo-Gramscian's have extended Gramsci's national based concept of hegemony into the international by arguing that globalisation and political-economy in particular must be viewed in their totality. Hegemony regarded as one State's dominating or balancing with another, as Realists and neo-Realists believe, is to limit the scope of what hegemony is. Hegemony is the ability to generate consent for a constructed world order; a world order that represents a particular worldview and particular configuration of structural and relational power. The attempt to investigate this has been pursued in different directions.

Stephen Gill has examined institutions, and how American hegemony is maintained through the 1973 established Trilateral Commission, a non-governmental dialogue group of global elites from the US, Western Europe and Japan which operates a transnational hegemony that goes beyond the nation-state.⁵⁶ Through constellations of power such as this, Gill argues that a *new constitutionalism* based on a *disciplinary neo-liberalism* is developing, whereby the current world order - disciplinary neo-liberalism, works to create new legal mechanisms and norms of neo-liberalism, new constitutionalism - that narrow the social base and protect global economic institutions and interests from popular scrutiny.⁵⁷ Kees Van Der Pijl has instead focused upon actors and elites, historicising the development of transnational classes of elites across multiple dimensions - political, economic, military, social - and demonstrating how a largely Western, financial, 'Atlantic' class, developed over the 20th century and under-pinned the evolution of the liberal world order.⁵⁸ These elites, and the 'universal' norms they developed, are where hegemony operates. Philip Cerny examined processes of globalisation, coining the term - the

⁵² Strange, Susan (1991) 'An Eclectic Approach'. In Murphy, Craig N. & Toose, Roger. (eds.) *The New International Political-economy*. Boulder, Colorado: Lynne Rienner

⁵³ *ibid*, Strange (1988)

Primary: (1) Security Structure; (2) Production Structure; (3) Financial Structure; (4) Knowledge Structure. Secondary: (1) Transport Structure; (2) Trade Structure; (3) Energy Structure; (4) Welfare Structure

⁵⁴ Strange, Susan. (1996) *The Retreat of the State: The Diffusion of Power in the World Economy*. Cambridge: Cambridge University Press.

⁵⁵ Palan, Ronen. (2013) 'New Trends in Global Political-economy'. In Palan, R. (ed.) *Global Political-economy: Contemporary Theories*. London and New York: Routledge, Taylor and Francis (2nd ed.)

⁵⁶ Gill, Stephen. (1991) *American Hegemony and the Trilateral Commission*. Cambridge: Cambridge University Press

⁵⁷ Gill, Stephen. (1995) 'Globalisation, Market Civilisation and Disciplinary Neoliberalism'. *Millennium: Journal of International Studies*, Vol. 24, No. 3, pp399-423

⁵⁸ Van Der Pijl, Kees. (2012) *The Making of an Atlantic Ruling Class*. London: Verso (2nd ed.)

‘competition state’, i.e.: where nation-state elites are becoming ever focused on their position in what is frequently referred to as ‘the global race’; and that instead of focusing on their constituents as countrymen they are increasingly seen as in need of continual matching or upgrading as participants in a ‘global competition’.⁵⁹

These thinkers are representative of a general neo-Gramscian inspiration, albeit not necessarily in a programmatic or systematic way. What unites them is a focus upon the global and transnational rather than the nation-state and the international, and how structures of power are increasingly created above the nation-state by a new elite who focus upon orienting themselves and their national policies towards the global rather their own local. Power is structural; it is historically rooted, but not necessarily economically determined or deterministic. It is social, as is the relationship between state and civil society, meaning states are contingent not only on historical position but also their extended state relations within it. Hegemony is multi-dimensional, often not operating by domination but through the propagation and assimilation of worldviews by ‘intellectuals’. Transformation occurs when an elite class can perpetuate within civil society a self-serving ‘common sense’, and where production and re-production are performed spontaneously and without command. The person to develop the fullest and most systematic application of this idea, applying Gramsci’s thought into International Relations and Political-Economy is Robert W. Cox.

2.3 ROBERT COX: POWER, HEGEMONY AND TRANSFORMATION

Finally, the specific theoretical thrust of this study can be outlined. For Robert Cox, Critical theory, as opposed to what he calls problem solving theory, attempts to identify the origins and development potential of the system itself rather than be bound by the features of the present order. Problem solving theories attempt to smooth over the wrinkles in the system, in order to maintain its integrity. Critical theories attempt to search for ‘normative choice in favour of a social and political order different from the prevailing order’,⁶⁰ since, in Cox’s famous exposition: “[T]heory is always *for* someone and *for* some purpose, it is important to recognise the context in which theory is produced and used; and we need to know whether the aim of the user is to maintain the existing social order or to change it”.⁶¹ Cox regards political-economy as distinct from both the fields of political science and economics from which it emerged. Political science and economics are both actor-oriented studies. Whether their focus is on political institutions or market institutions, they are both examining how agents behave. Political-economy on the other hand should be interested in the historically rooted frameworks or ‘structures’ that emerge and change.⁶² Cox rejects positivism in favour of historicism, pointing out that historicism must “reveal the historical structures characteristic of particular eras within which regularities prevail”.⁶³

⁵⁹ Cerny, Philip. G. (1997) ‘Paradoxes of the Competition State: The Dynamics of Political Globalisation’. *Government and Opposition*. Vol. 32, Issue 2, pp251-274

⁶⁰ Cox, Robert. W. (1981) ‘Social Forces, States, and World Orders: Beyond International Relations Theory’. *Millennium: Journal of International Studies*, Vol. 10, No. 2, pp126-155

⁶¹ Cox, Robert. W. (1995) ‘Critical Political-economy’. In Hettne, Bjorne. (ed.) *International Political-economy: Understanding Global Disorder*. London: Zed Books, p. 31.

⁶² *ibid*, Cox (1995)

⁶³ Cox, Robert. W. (1986) ‘Post-script 1985.’ In Keohane, Robert. & Nye, Joseph. (eds.) *Neo-Realism and its Critics*. New York: Columbia University Press, p. 249.

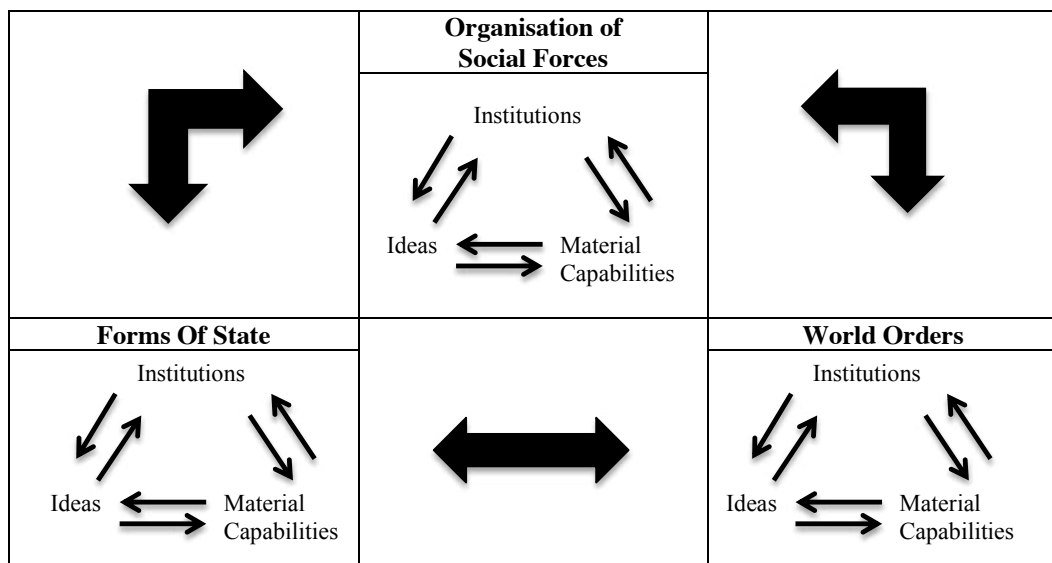
On hegemony, Cox posits:

[Hegemony is] more than the dominance of a single world power. It means the dominance of a particular kind where the dominant state creates an order based ideologically on a broad measure of consent, functioning according to general principles that in fact ensure the continuing supremacy of the leading state or states and leading social classes but at the same time offers some prospect of satisfaction to the less powerful. In such an order, production in particular countries becomes connected through the mechanisms of the world economy and linked into world systems of production. [...] An incipient world society grows up around the inter-state system, and states themselves become internationalised in that their mechanisms and policies become adjusted to the rhythm of world order.⁶⁴

2.3.1 Social Forces, States, and World Orders

The intellectual path that Cox took to reach these positions is complex (summarised in appendix 2.1-2.6). Power is the ability to produce, or encourage others to produce. Production is defined broadly, and includes material and immaterial production. Agents (individuals, states, economies) exist within historical structures that themselves are shaped by social forces of production. The social relations of production are three-fold: objective (material power), subjective (ideational power) and institutional (institutional power) (appendix 2.1).⁶⁵ There are three levels of spheres of activity that these social forces of production operate within (1) the organisation of the form of production, (2) forms of state and (3) world orders (see below, fig. A); however the relationships between these social forces is neither linear, nor causal.

Fig. A Cox's Hegemony Matrix



Source: author

The particular alignments of the historical structures is characterised as a historical mode of social relations, and according to Cox during the twentieth century there have been twelve (appendix 2.2).⁶⁶ Each mode is distinct, however each emerges out of the previous, and

⁶⁴ Cox, Robert. W. (1987) *Production, Power, and World Order: Social Forces in the Making of History*. New York: Columbia University Press, p. 7.

⁶⁵ *ibid*, Cox (1987)

⁶⁶ *ibid*, Cox (1987)

* Simple Reproduction (1. Subsistence; 2. Peasant-lord; 3. Primitive labor market; 4. Household)

* Capitalist Development

* Competitive capitalism (5. Self-employment; 6. Enterprise labour market; 7. Bipartism)

* Monopoly capitalism (8. Enterprise corporatism; 9. Tripartism; 10. State corporatism)

* Redistributive development (11. Communal; 12. Central planning)

elements of the previous mode remain within the new mode. Cox's maintenance of the notion of the historical dialectic is tempered by an understanding that modes of production are not deterministic. Unlike traditional Marxism, Cox's modes of production are social and not economic; and social forces and their historical modes both constrain actors, *in addition* to being affected by human choices. Therefore a mode of production creates a framework that produces certain power relations but actor decision-making and behaviour can also affect the mode of social relations. This is where Cox is distinct from both Marxist, and later Dependency theorists and World Systems theorists – static determinism is forsaken in favour of dynamic and real world social contingency.

Cox goes on to posit that state forms are *an* (not *the*) outcome of the differing modes of production that underlay them. Therefore, just as modes of production are based on social forces, so are States social constructions rooted in social relations of power. Rather than mainstream notions of States within international relations as reified entities, States thus become socially and historically contingent. Moreover, instead of the State being a singularly defined concept, within Cox's Critical approach there are many kinds of State, underpinned by differing forms of social production; and that States evolve with each of these modes of production. This is why it is so crucial to adopt historicism as an approach to understanding international relations - because a contemporary form of State may be operating within a different world order and/or rest on a different foundation of social relations than a previous period. However, twelve modes of production do not mean anything as simple as twelve forms of state. This is because Cox goes on to posit that States exist within world orders (appendix 2.3). States are not singular 'billiard balls', free to move or do whatever is rationally calculated. In fact most states are affected by world orders more than they can affect those world orders.

The only actors that can affect world orders, and thereby achieve Cox's definition of hegemony, are those countries that can transmogrify their domestic state-society complex (hegemony established between state and society – a historic bloc – where consent to particular social relations has been established) into the global. When the particular becomes the universal, and the majority of others wish to emulate that particular historic bloc, hegemony has been achieved. This process does not need to be exogenously dictated by an outside state, and each country's state remains the key institution of transmission and management: "[...] the state is the agency that can activate and channel the potentialities of a social formation either toward maintaining the existing social order or toward bring about a new order... Social revolutions are not to be understood as exogenous events that burst in upon states. They are transformations within the state itself, displacing one form of state within another".⁶⁷

Cox argues that there are only two powers that have been world order powers and been able to exert global hegemony – first the UK (pax Britannia) and then the current US (pax Americana).⁶⁸ During the eighteenth and nineteenth century Britain established first, domestic hegemony with the liberal trading state, that was later expanded into the liberal order that is the foundation of the modern international system.⁶⁹ This liberal order broke down and British hegemony was lost, as a grand modal shift occurred from competitive capitalism towards monopoly capitalism. Rival imperialisms broke out during the early part of the twentieth century with WWI and WWII.⁷⁰ The liberal state, no longer supported by a liberal world order, transformed into varying representations of welfare nationalism in the UK and US, where the state adopted a consensual but heavy role in economic affairs. Still within the liberal state tradition but a distortion of it, emerged fascist corporate states in southern Europe, Germany and Japan. Liberal to the extent of accepting capitalism, but authoritarian in the relation between state and market, fascist corporate states attempted to operate hegemony in state-society relations by coercion rather than consent. A third State form also emerged that, Cox argues bore no lineage to the liberal state – the re-distributive command state, which emerged from the

⁶⁷ *ibid*, Cox (1987), p. 106.

⁶⁸ * Pax-Britannia: Liberal State and Liberal World Order; * Rival Imperialisms: (1) Welfare Nationalist State; (2) Fascist Corporate State; (3) Re-distributive, Party Command State; * Pax-Americana: (1) Neo-liberal; (2) Neo-mercantilist, Developmentalist State; * Future, post-US global hegemony (hegemony?): (1) Hyper liberal; (2) State capitalist

⁶⁹ *ibid*, Cox (1987)

⁷⁰ *ibid*, Cox (1987)

Russian revolution. Within this model, the state rejects the entire premise of liberal capitalism and builds an entirely new state-society complex from the top down.

By the end of WWII the fascist corporate state had been regarded as the main foe and beaten with alliances between Western liberal states and the command state USSR. The ensuing Cold War became a confrontation for the development of global level hegemony between these two remaining separate modes of production and historic blocs. Minimal attempts by ex-European colonial powers to re-establish the 19th century liberal order ultimately failed, and the embodiment of the liberal state became centred on the US. Built on different state-society hegemony however, the US ultimately achieved hegemony which was achieved through not only coercion and but also consent to US values, and pax Americana prompted a shift from a European basis for the liberal state to one based on American social forces.⁷¹ The internationalisation of production and the internationalisation of the state also occurred, and not in a significantly different way to the British world order; but the global hierarchies are ordered differently. The world order, defined in terms of world economy rather than states, becomes seen as the source of economic growth and prosperity. This prompts a divide that maintains lineages from previous modes of production in differing countries. The original liberal states of the UK and US become neo-liberal, maintaining Keynesian ideas and policies if necessary, but increasingly believing that state policy should be ever focused upon the world economy rather than the protection of the national economy. The former fascist corporate states moved in a different direction, accepting the importance of the world economy but maintaining the need for heavy state involvement using neo-mercantilist, developmentalist policies - Japan's trajectory. Cox ends his analysis with a question mark over whether US hegemony is in decline and what may follow, due to ever greater crises within the world economy. He posits two paths, continuing down the trajectories described. Neo-liberalism develops further into 'hyper liberalism' of the Thatcher-Reagan sort, whereby the state opens up entirely to transnational, world economic forces, including the need for greater militarisation to protect the world order itself. By contrast neo-mercantilist developmentalism will transform into the more consensual forms of social relations that are found in the state capitalism of Germany, or Japan.

2.3.2 Class and the Historic Bloc

Having outlined the parts, it is now necessary to detail the processes. That is, how social, state and world order transformation take place. Cox argues that class relations are the proper route to understanding transformation, since it is through classes – both their characteristics and their relations to each other – that the state and social forces of production in society are formed (appendix 2.4).⁷² Classes are historically rooted but historical modes of production are the result of human choices, and therefore so are classes. How classes relate to the state and how the state relates to those classes determines whether a class configuration is solidified or instead, state transformation may occur. They are not the inevitable consequence of impersonal historical forces as per Hegel, nor the economic materialistic determinism of Marx.

Largely distancing himself from ideologically class-based language, Cox instead prefers to frame these distinctions in terms of dominant groups and subordinate groups. Being a social group - whether dominant or subordinate - does not mean being a class, since a collective identity collectively shared is required for a class (appendix 2.5). Groups are linked to production, but not all production is valued equally by differing world orders, and so groups are constantly in flux as the world order shifts. These groups may or may not coalesce into classes, organised as is the case by labour into unions, and/or these production based groups may coalesce transnationally with similar groups. However Cox believes that once a group becomes dominant over a contemporary mode of production, they become dominant over all groups that still labour within previous modes of production. That will mean being dominant domestically within their country, but potentially also in countries still operating within previous modes of production (giving rise to the temptation towards expansionist exploitation).

⁷¹ *ibid.*, Cox (1987)

⁷² *ibid.*, Cox (1987)

Once a class forms, historical blocs may form, change or solidify. Cox is not referring here to changes in government, such as occurs between elections. He means wholesale change in the nature of the class structure upon which the state apparatus rests. These changes are difficult to map since classes are both nationally and increasingly transnationally based. States remain the central organizing agent over production but the emergence of differing elites that may dominate the social forces of a particular historical mode of production, may go on to change the nature of the state's involvement in the economy. It is also difficult for one state's elites, even if they manage to establish a new domestic historic bloc, to affect change over the world order. They are more likely to conform to the world order than challenge it, even if this means operating opposing political and economic systems; one at home and one in relation to external affairs. However transformation can be sped up or slowed down by the nature of the alignment between a domestic historic bloc and the nature of the world order. Cox sees a dominant group of politico-corporatist-bureaucratic transnational elites that are supported by a national bourgeoisie in control of national industries who in turn are supplied by petty capitalist suppliers (appendix 2.6).⁷³ Subordinate groups are, observing from upper to lower; middle managing technocrats who do not produce and only supervise, down to increasing volumes of non-established and insecure labour, finishing with the third world farmers and marginal populations who must accept whatever they can.

2.3.3 Hegemony within neo-Realism and neo-Gramscian/Coxism compared

Stephen Gill in a review of the two classic texts of neo-Realism and neo-Gramscianism – Robert Gilpin's *The Political-economy of International Relations* (1987) and Robert Cox's *Production Power and World Order* (1987) concludes: "Both of these authors should be applauded for the understanding they have offered to students of international political-economy. Gilpin's work has already received considerable attention and has inspired younger scholars to build creatively on his insights and innovations. Cox has received less, although growing attention, mainly outside of the USA. This is perhaps because his work does not sit well *vis a vis* the prevailing discourses of the powerful and numerous North American academic community".⁷⁴

This is a shame because Critical theory, resting on a historical materialist ontology, corrects neo-Realism in four respects.⁷⁵ First, neo-Realism sees historical conflict as perpetual to human interaction whereas historical materialism sees conflict as evidence and opportunity for a historical transition. Conflict between social forces can result in structural change (although Cox seems silent on whether this change can be intentionally created, in addition to whether change is always necessarily better or worse). Second, historical materialism allows 'space' to become virtual and three-dimensional. Neo-Realism sees only vertical hierarchy as structuring the international, whereas historical materialism allows the vertical and the horizontal. Domination of centre over periphery, of regional node over sub-regional nodes, of city over countryside; these 'horizontal' power structures thus complement the 'vertical' to allow for a paraxial, and therefore wider, view. Third, the notion of state-society complexes allows the historical materialist to appreciate not only state power but also civil-society rooted power. A neo-Realist cannot do this, as their view is contingent on a single, unified, all powerful state as key actor. Fourth, and finally, a historical materialist approach is sensitive to production in ways that neo-Realism cannot be. That is, how power is produced through varying material, ideational and institutional structures. This allows for more contextual understanding, in addition to developing a better position from which alternatives and solutions may be understood.

⁷³ *ibid.*, Cox (1987), p355-p391

⁷⁴ Gill, Stephen. (1990) 'Two Concepts of International Political-economy. *Review of International Studies*, Vol. 16, No. 4, pp. 369-381, p. 379.

⁷⁵ Moolakkattu, John. S. (2009) 'Robert Cox and Critical Theory of International Relations'. *International Studies*, Vol. 46, No. 4, pp439-456

Hegemony narrowly understood - hegemonic stability theory or balancing/bandwagoning - is therefore rejected in favour of a broader understanding:

In neo-Realist discourse the term 'hegemony' is reduced to the single dimension of dominance, i.e.: a physical-capabilities relationship among states. The Gramscian meaning of hegemony which I have used, and which is important in distinguishing the 'pax Britannica' and 'pax Americana' from the other world orders, joins an ideological and inter-subjective element to the brute power relationship. In a hegemonic order, the dominant power makes certain concessions or compromises to secure acquiescence of lesser powers to an order that can be expressed in terms of general interest. [...] It is important, in appraising a hegemonic order, to know both (a) that it functions mainly by consent in accordance with universalistic principles, and (b) that it rests upon a certain structure of power and serves to maintain that structure. The consensual element distinguishes hegemonic from non-hegemonic world orders. It also tends to mystify the power relations upon which the order ultimately rests.⁷⁶

2.3.4 Criticisms of Cox

Cox's ideas are not without their critics. Most obvious comes from his Realist/neo-Realist, figurative co-centaur sharing body partners. John Mearsheimer critiques Critical theory (and liberal institutionalism) by arguing that international institutions in reality do very little to constrain or affect states.⁷⁷ More broadly, Realists/neo-Realists may make the mistake in reading Cox that he is presenting an alternative; he is not. His approach to hegemony acknowledges the importance of Realism's understanding of the concept, but that it is limited and only goes so far.⁷⁸ The illustrative example of the Centaur is made for a reason - it is power operating in two halves and two directions. Realist critiques perhaps often see the two halves, rather than the one whole.

From the opposite political persuasion, in a scathing Marxist critique, Peter Burnham denounces Cox's focus on ideas and ideology as verging in idealism and favours a return to an examination of the true source of motivation for inter-state relations - capital relations.⁷⁹ On the crucial first liberal state and progenitor of the liberal world order Burnham points out: "It was not contending theories but fluctuations in the balance of payments which determined at what pace the British state would adopt multilateral trade and payment arrangements".⁸⁰ This may be a slight straw man misreading of Cox by the application of causality to the means of production. Cox indeed accommodates the role of factors such as capital and does not posit primacy to the role of the ideational; the factors are inter-related is Cox's point - it is not simply capital but how capital is understood within a historical context and situated relationship.

In non-'school' based terms, Cox has also been criticised for being a 'watery' and conventional Marxist; for being a post-Marxist working within the Frankfurt school but not recognising it; for having criticised positivism, opening the way towards normativism entering the social sciences; and being either unduly pessimistic or unduly optimistic.⁸¹ Adrien Budd argues, and this is a point that could possibly be made about the contemporary Left in general, that neo-Gramscians have managed to richly describe and enlighteningly critique but have been unable to propose their own alternative program.⁸² No doubt Cox would be happy with these criticisms - given his philosophical eclecticism, his thought is going to step on nearly everyone's toes; and he would

⁷⁶ Cox, Robert, W. (1996) 'Influences and commitments'. In Cox, Robert, W. and Sinclair, Timothy, J. (eds.) *Approaches to World Order*. Cambridge, UK: Cambridge University Press, p. 56.

⁷⁷ Mearsheimer, John, J. (1994) 'The False Promise of International Institutions'. *International Security*, Vol. 19, No. 3, pp.5-49

⁷⁸ Cox, Robert, W. [Online] *Theory Talks No. 37: Robert Cox on World Orders, Historical Change, and the Purpose of Theory in International Relations* (March 12th 2010). Available at <http://www.theory-talks.org/2010/03/theory-talk-37.html> (accessed 20.09.2013)

⁷⁹ Burnham, Peter (1991) 'Neo-Gramscian Hegemony and the International Order'. *Capital and Class*, Vol. 15, No. 73, pp73-92

⁸⁰ *ibid*, Burnham (1991), p. 82.

⁸¹ Schechter, Michael, G. (2002) 'Critiques of Coxian Theory: Background to a Conversation'. In Schechter, Michael, G. & Cox, Robert, W. (eds.) *The Political Economy of a Plural World: Critical Reflections on Power, Morals and Civilisation*. London & New York: Routledge

⁸² Budd, Adrien. (2013) *Class, States and International Relations: A Critical Appraisal of Robert Cox and Neo-Gramscian Theory*. London and New York: Routledge

no doubt argue against prescriptively proffering wholesale programs or frameworks. There does remain however, one question towards Cox's thought that is relevant in the case of this study: is it relevant to Japan?

2.3.5 Relevance to Japan

Applying a Critical conceptual frame of political-economy to Japan is important and appropriate for a number of reasons. Firstly, a Realist/neo-Realist power paradigm privileges unilateral power and dominating hegemony. This automatically privileges the US (and other militarised satellites such as the UK) and disadvantages Japan, being as it is, a militarily constrained country. This creates a diminished view of Japanese power and Japan's proactivity in international affairs; an assumption being actively challenged in this thesis. A liberal analysis certainly brings into focus the weight of Japan's economic influence in world affairs. However analyses either focus on Japan's support for the prevailing order (Bretton Woods supporting multilateralism, for example) or otherwise attempt to limit Japan to the 'economic giant but military pygmy' category. This is in error, because it assumes the current US dominated world order and Japan's accommodation to it as normal, and ignores the many attempts made by Japan during the 1980s and 1990s to challenge it and present an alternative. The liberal tendency to assume a certain set of values and interests as natural, ignores the degree of political power required to construct them.

A Critical approach adds more. Such an approach allows for the appreciation of material production in power terms. Japan's outstanding headline powers - consistent trade surpluses, generous ODA provision, technological prowess, and productive ability - conceal the degree to which these are actually forms of politico-economic power in international relations. That in actual fact, these *are* power in a globalising world. Militaries are becoming redundant, at least in day to day interactions, and often serve as national corporate welfare programs for military industrial complexes around the world. A Coxian approach allows for multi-dimensionality, where material power mixes with ideas and institutions to represent a historical structure. 'Hegemony as domination' situates Japan's international relations in a weak position, but 'hegemony as consent' allows the analyst to comprehend a wider breadth of power in operation. Finally, it allows for totalities, and how totalities influence nation-states. This opens the way for an analysis of Japan's hegemony operating through the creation and transformation of the Greater Mekong Sub-region and how this sub-regional totality can then be used to drag along the attached economies.

Focusing on more of the specifics of Cox's approach to power and hegemony in relation to Japan generates a number of important questions. First, when historicising the Japanese state through Cox's world order/state forms matrix of twentieth century it is possible to discern a Japan that has consistently been in opposition to the UK/US liberal state and liberal world order. This situates the 'Japan as normal state' debate in a different light. Second, Cox's thinking promotes a re-consideration of the social forces of production in Japan. That is, how material production, ideas and institutions unique to Japan may affect Japan's international relations. Japan's development history with export led promotion, the identification (self identification) of this as 'developmentalism', and how Japan's domestic institutions are configured to support this, are but three quick avenues into a Coxian consideration. Third, considering Cox's proposition of classes being central, the historical importance of Japan's Meiji's aristocrats > Taisho militarists > Showa iron triangle as dominant elite class formations reveals unique features of Japan's class struggle that both point to why Japan is governed the way it is, and why problems may be developing. Cox's awareness that states are formed by historic blocs between dominant groups (elites) and subordinate groups (civil society) is doubled with the understanding that states are also products of the world orders they exist within, and this opens up considerations from a Critical perspective as to what world orders Japan exists within and whether they should or could change. The US-Japan alliance is the most obvious but could equally be balanced against the multilateral UN approach Japan often adopts. These sort of questions will be examined in chapter four when Japan's position in the world is questioned, but each of these

points could be a research program in itself and is demonstrative of the utility of applying Cox's thought to a study of Japan.

Cox has himself analysed Japan, albeit a long time ago in 1989, and was sceptical of Japan's hegemonic abilities. He pointed to Japan's stubbornly maintained conservative political-culture; its static institutions; and the inability for Japan to generate universal as opposed to particularistic 'only for Japan' norms - the essential ingredient to the operation of hegemony.⁸³ For Cox, Japan is a middle power:

Where a major power has successfully established such a world order, we can give it the name of hegemony. The rules of practices and ideologies of a hegemonic order conform to the interests of the dominant power while having the appearance of a universal natural order of things that gives at least a certain measure of satisfaction and security to lesser powers. Such a hegemonic order rests ultimately upon superior force, but this force can most often remain in the background. The order does not usually need to be enforced by direct violence or threat of violence on the part of the founding power. Middle powers may play a supporting role in such a hegemonic order.⁸⁴

He goes on to predict five world orders into which Japan will have to, comfortably or not, align. The first world order is one of US dominance supported by Japan; the second a G7/G8 plus China and Russia dominated global economy; the third a neo-Mercantilist bloc based system; the fourth a multi-level highly diffused system of power; and fifth (although Cox discredits this as having only a forgotten legitimacy) a 'Japan as number one' mercantilism reliant on no-one. Cox hints at the continuing efficacy of world order option one, as Japanese political culture seems unable to imagine anything different.

There are some difficulties however with Cox's application of hegemony in relation to Japan. Firstly, he sets an extremely high bar of qualification for the normalisation of a system of values. Basing it on the previous *pax Britannia* and the current *pax Americana*, Cox defines hegemony as being achieved only when ones' own values (aided by the English language) have become globally normalised; when the particular becomes the universal. With Japan being historically the only East Asian member of the Western dominated capitalist order, this was always going to be a near impossible qualification to achieve. Secondly, Cox focuses on the global order level only, as the qualification for hegemony. This single level precludes the operation of hegemony operating on alternative levels of transnational political-economy (regional, sub-regional), or on multiple-levels simultaneously, e.g.: with Japan being supporter of the US global system while at the same time operating under this structure a degree of regional hegemony. Thirdly, hegemony is multi-dimensional and may be exerted in varying degrees, rather than either in existence or not. For example, Japanese power within the field of energy is very weak but in production, finance or ODA is very strong.

With these points in mind, along with the understanding that understanding that Cox's approach is descriptive and by his own account not prescriptive, this study utilises his insights while building on the above weaknesses in relation to Japan. It is understood that hegemony can work along multiple levels and that while the current order may be *pax Americana*, this does not preclude Japan from assuming a regional hegemonic role. In addition, through Japan's economic power as opposed to military power, Japan's unique form of hegemony is most likely achieving subtle shifts in behaviours and thinking in ways not detected or made possible by US gunships. Finally it is understood that Japan's foreign policy elites are skilled at operating in multiple directions at the same time. A wink to US global authority does not mean going inactive in regional or sub-regional terms, and it is this behavioural pattern that this research endeavour understands is occurring.

⁸³ Cox, Robert. W. (1989) 'Middlepowermanship, Japan, and Future World Order'. *International Journal*, Vol. 44, No. 4, pp823-862

⁸⁴ *ibid*, Cox (1989)

2.4 CONCLUSION

This chapter has examined how the notions of power, hegemony and transformation are understood within mainstream theories of International Relations and then how these distinctions carry through into a division of political-economy that holds a mainstream ‘international’ approach as compared to a more Critical ‘global’ approach to its study. It ended with a close reading of the historical, world order, state forms and class taxonomies and transformative processes that are often left out either of criticisms of Cox or in the application of his ideas.

While recognising some of the criticisms made of a Critical approach, a neo-Gramscian approach or of Cox’s specific ideas, it is felt that there remains a rich array of conceptual apparatus to apply. That is not to assert that this is being performed uncritically. The final section pointed out that this study will be applying Cox’s ideas but adapting them to suit an analysis of Japan within a regional context. Some may disagree that this is possible; Cox himself may disagree with the re-application of his notion of hegemony to a non-global context. However, given that Cox’s approach is so eclectic, so perhaps can its application. In any case, the application of a theory to analysis can only strengthen it, and so with cautious steps forward the thesis moves to the next chapter in which Cox’s grand meta-theory will be translated into a more manageable research methods framework; to attempt to go from theorising hegemony to analysing hegemony.

3.0 FROM THEORISING HEGEMONY TO ANALYSING HEGEMONY

In this chapter, the task is to move from *theoria* to *praxis* and move towards attempting to operationalise a research approach that involves the use of hegemony. This is challenging as Cox sets out with no such methodological agenda and as stated in the previous chapter, many of the studies that have been associated with Cox's thought or the 'Amsterdam School' have been 'inspired' by them rather than following through with clear approaches and methods that would be recognised in a classic university research methods class. With the jettisoning of positivism for historicism; favouring theoretical and/or methodological eclecticism over physics envy style hypothesis testing; and favouring descriptive richness over predictive ability, planning a research approach and methodology were at the outset going to be a challenge.

The following chapter attempts to do this in the following ways. First, an overview of how the cases are being employed in this study will be outlined. This involves the outlining and the delimiting of the Greater Mekong Sub-region, in addition to summarising how each country level case study's position - Thailand, Vietnam, Cambodia and Laos - is understood in relation to Japan.

The second section attempts to operationalise Cox's meta-theory notion of hegemony into something more discrete and concrete, whereby research dimensions can be created and research methodologies applied. This challenging step to translate political philosophy into empirical research program resulted in a high number of potential research avenues and measurement criteria. Cox's social forces of production - material power, institutional power and ideational power are each broken down into potential dimensions and measurement criteria. However this study's primary focus will be upon material power and how Japan's international relations mix material power with institutions and ideas to create processes of hegemony. This was for the sake of brevity and clarity, and not in any way privileging material power or assuming causality. Alternate studies may follow a similar approach to that taken here but approach from an institutional or ideational perspective, an indeed some attempt has been made here to empirically clarify institutional and ideational power; they have just not been the primary focus here.

The third section takes section two even further and enumerates the specific methodologies that have been applied to the identified dimensions of hegemony, and how these methodologies were planned and conducted. A mixture of primary and secondary sources were used, however from the outset the intention was to take this research project out of the library and into the 'real world', and this section will detail how that was achieved.

The final section deals with ethical issues, normative concerns and limitations. The choice of taking this research out of the library and into the real world meant the involvement of human participants and so a series of ethical questions needed to be answered. The involvement of not only cross-cultural differences between the researcher and Japan, but also the researcher, Japan and the Southeast Asian countries under investigation, meant that an equal number of normative concerns were also raised as part of this study. As comprehensively as possible these have been reflected on and solutions sought. Finally, the methodological approach used in this study is neither the only approach possible nor perhaps the most perfect. Social science research is a messy business, fraught with any number of limitations. These are recognised here, in addition to how solutions were sought and difficulties managed.

3.1 FOCUS AND CASES: SOUTHEAST ASIA, THE GREATER MEKONG SUB-REGION AND THE MEKONG RIVER BASIN COUNTRIES

This section delineates the cases employed in this study. Discussion and definitions that relate to Japan will be saved until the subsequent chapter that is a dedicated overview of how Japan in international society. Here, the focus is on the rather complicated task of disentangling and demarcating regions from nation-states to sub-national provinces; a task not particularly simple when the focus is Southeast Asia.

3.1.1 Regionalism, Sub-regionalism and Sub-National/Transnational Connectivity

Defining a region in International Relations, and especially defining Southeast Asia, is a difficult endeavour. Understanding that there can be a unit of analysis between the global and the local is non-controversial, however what becomes controversial is deciding what lies on which side of whatever regional boundary has been set; with the frequent path taken to be to move from the global level downwards.⁸⁵ Nevertheless, to understand post-Cold War global politics, and especially a global order dominated by the US, the intermediary role played by the regions is important according to Katzenstein, in order to resolve many of the glaring contradictions of contemporary geopolitics.⁸⁶ In relation to Southeast Asia, itself a relatively new term, delineating those boundaries becomes significantly difficult. Marx's notion of an 'Asiatic Mode of Production (the AMP model) held that countries in Asia were united by a form of despotic ruling elite in a form of 'oriental despotism'. This dated notion belies the more challenging theoretical problem - the region's diversity.

A 21st century traveller sees eleven nation-states, depending on the acceptance of certain borders and sizes of certain constituencies. However to step back a short time, an 18th century traveller would have encountered a Southeast Asia with around forty kingdoms, principalities, and sultanates.⁸⁷ These would have been organised in the so called 'mandala' system at the macro-level - a system of diffused international power centres focused upon particularly crucial cities; complemented by village based polities at the micro-level. A distinction between the mandalas is often made between a constellation of maritime states,⁸⁸ and a constellation of mainland states; the mainland states being the focus of this research.⁸⁹ Under Anthony Reid's 'Age of Commerce' thesis the maritime states during the 15th-17th centuries, centring on modern Malaysia and Indonesia, demonstrate that Southeast Asia has long been an inter-connected if fragmented unit.⁹⁰ Victor Lieberman on the other hand argues that this was more the case with the maritime states only, and the mainland states developed in a much more politically integrated way.⁹¹

Added to this diversity is the impact of colonialism and empire, exogenously affecting endogenous development and definitions. This process did not begin with Europeans; China has a long history of colonialism in Vietnam, Vietnam has a long history of colonialism in Cambodia and Laos, as does Thailand. What European colonialism did bring was new concepts and ideational constructs such as nationalism, the nation-state, and capitalism. Highly heterogeneous ethnic and cultural groups, and geographically disparate within a geographical space half the size of Europe with only a slightly lower population, became squeezed into new territorially bounded spheres of sovereignty. Now, coupled with globalisation, regionalism and regionalism in Southeast Asia has become even more complex as nation-states are relating bilaterally and globally, but also regionally, sub-regionally and inter-regionally. In addition to this growing web of relations is the underlying desire not to regionalise is a 'hard' or formal way. That is, to follow 'the ASEAN way' and prefer loose and normative arrangements instead of legalistic or institutional regionalism. Thus, for an outside power to influence the region, the task becomes first, to propagate a new region-wide idea that then passes through what Amitav Acharya calls 'constitutive localisation',⁹² i.e.: owned by Southeast Asian polities, while second, operating on multiple international levels but always within the preferred 'soft regionalism' of

⁸⁵ Buzan, Barry. & Waeber, Ole. (2003) *Regions and Powers: The Structure of International Security*. Cambridge: Cambridge University Press (Cambridge Studies in International Relations)

⁸⁶ Katzenstein, Peter. J. (2005) *A World of Regions: Asia and Europe in the American Imperium*. Ithaca, NY: Cornell University Press

⁸⁷ Osborne, Milton. (2013) *South East Asia: An Introductory History*. New South Wales, Australia: Allen & Unwin (11th ed.)

⁸⁸ Maritime states – Indonesia, Malaysia, Singapore, Brunei, East Timor, Philippines

⁸⁹ Mainland states – Myanmar, Thailand, Cambodia, Laos, Vietnam

⁹⁰ Reid, Anthony. (1993) *Southeast Asia in the Age of Commerce, 1450-1680 Volume 2, Expansion and Crisis*. New Haven and London: Yale University Press

⁹¹ Lieberman, Victor. (1995) 'An Age of Commerce in Southeast Asia? Problems of Regional Coherence'. *Journal of Asian Studies*, Vol. 54, No. 3, pp796-807

⁹² Acharya, Amitav. (2009) *Whose Ideas Matter? Agency and Power in Asian Regionalism*. Ithaca, NY: Cornell University Press

Southeast Asia. This, it is argued, is what Japan has been doing so successfully with its regional and sub-regional agenda.

The historic mainland states roughly correspond to the under construction Greater Mekong Sub-region (GMS), and is a configuration of what the ADB refers to as a 'growth triangle'. The GMS sub-region is the most developed but not the only sub-regional growth triangle concept that exists in Southeast Asia, and is but the most developed one of three.⁹³ These sub-regional groupings arguably represent a new form but revitalised attempt by international actors including Japan, the World Bank and the ADB (which coined the concept of the GMS in 1992), to build regional integration but from the 'bottom up'. Previous developments since WWII have emerged that attempted to do this, either by in part slowly adding layers to the 1967 skeleton of the Association of Southeast Asian Nations (ASEAN), or alternatively attempting to build new and separate politico-economic frameworks, with varying levels of success. The Asia Pacific Economic Co-operation forum (APEC) was established in 1989 to inter-regionally link Asia and the Pacific, while also in 1989 emerged the East Asia Economic Caucus (EAEC) in 1989, which presumed towards a regional order with Japan, not America in the lead. An easier route to regionalisation has been to build upon ASEAN. The ASEAN Free Trade Area (AFTA) in 1992, ASEAN Regional Forum in 1993 and ASEAN+3 in 1997 have all emerged as differing forms of ASEAN rooted regionalisation.

However with each development, global political tensions resulting from Japan's role in Asia, the US-Japan relationship, or competitor ambitions from China or South Korea, resulted in watered down or altogether mooted forms of development. Sub-regional groupings have thus emerged as a means to promote economic integration from the bottom up through transnational connectivity coupled with sub-national integration, but without the political tensions that result from previous attempts to promote top down led integration. 'Growth triangle' has become preferable to 'trade bloc' due to its orientation towards exports and its non-exclusionary character,⁹⁴ and has become a politically neutral means of generating integration, making such a construct a crucial structure through which to observe hegemony in operation.

3.1.2 Case Studies

3.1.2.1 The Greater Mekong Sub-region

The sub-regional GMS is the primary focus of this study as it is argued that it is towards this construct that Japan is working, generating the consent from the Mekong River Basin Countries (MRNCs) to agree to a package of economic developments and political policies in order to make the GMS a reality. The GMS is highly unique, it that it: (1) encompasses old Indo-China and hence the former war torn Cold War triumvirate of Vietnam, Cambodia and Laos; (2) due to this history these three states remain nominally at least some of the last Socialist/Communist countries in the world; and (3) the GMS is the development engine aimed at pulling into ASEAN the 'late developers' that it is believed are the continuing stumbling block towards greater ASEAN level integration.

The GMS is a highly complex framework, more detail of which will be outlined in chapter five. However mention must be made here of how it is being methodologically approached in this study. Firstly, it consists of five fully fledged nation-states (Thailand, Vietnam, Cambodia, Laos and Myanmar), and a sub-national province of a sixth (Yunnan Province of southern China). In this study, only the core Mekong peninsula countries of Thailand, Vietnam, Cambodia and Laos were studied. This is for reasons of exclusion and inclusion. Myanmar was excluded from this study due to anticipated research methodology problems - access to data, access to participants, even access to the country. Yunnan province of China was excluded due to the conceptual

⁹³ There is also the Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT), the Brunei Darussalam-Indonesia-Malaysia-The Philippines East ASEAN Growth Area (BIMP-EAGA). There is also the inter-regional South-Southeast Asia sub-regional grouping - the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC).

⁹⁴ Krongkaew, Medhi. (2004) 'The Development of the Greater Mekong Subregion (GMS): Real Promise or False Hope?' *Journal of Asian Economics*, Vol. 15, Issue 5, pp977-998

difficulty of disentangling local politico-economic Yunnan province policies from national China level policies. Simplicity demanded the bounding of a unit that could be studied with conceptual and methodological clarity. In inclusion terms, the decision to delimit the GMS to these four case studies was felt justified in historical terms, as much of the peninsula's history has involved the continuing power politics between a Thailand on one side, a Vietnam on the other side, and a Cambodia and Laos dealing with being sandwiched between these two sub-regional powers with ambitions for superiority. It is acknowledged that Myanmar and China's Yunnan province remain crucial elements to the development of the GMS, and future research will indeed focus upon them.

A second unique aspect of the GMS is how the notion of 'connectivity' is applied. Formerly, and still relevant today, the transnational Mekong River was regarded by external actors as the means through which to spur on Mekong region integration. This has in the post-Cold War period been complemented by a series of applied 'economic corridors' that span the Mekong peninsula. These purely conceptual corridors represent a spider's web of East-West, North-South, South-South, and North-North sub-regional sinews that are guiding the economic priorities of external actors. In methodological terms this has meant the inherent need to focus upon national policies, but also to constantly keep transnationalism in mind when tracking how national policies are being either aligned or are non-aligned with these corridors. The corridors in some major cases, particularly the East-West and North-South corridors, are also aligned with far reaching inter-regional mappings such as the Asian and ASEAN Highways Networks, the GMS electrical connectivity grid, and the Trans ASEAN Gas Pipeline (TAGP). As such these transnational gridlines must also be related not only to the national policies of Mekong states, but also global level plans towards the inter-regional integration of East, Southeast, and South Asia. The corridors also provide a window into how global level competition is reflected internally within the Mekong. The decisions by some external actors to focus on one corridor rather than another are assumed to be demonstrative of wider competitive or cooperative trends.

A third unique aspect of the GMS, and which is coupled alongside the above notion of economic corridors (see below, fig. B), is the role of sub-nationalism. Economic corridors intersect at particular sub-national quadrants that then become sites of increased political-economic focus and activity. Border towns, special economic zone (SEZ) sites, and communicative infrastructure such as bridges, can all correlate with overlapping points of the GMS economic corridors. This has meant not only baring transnational connectivity in mind, but sub-national connectivity also. Particularly in relation to trade, sub-national connectivity is a key focus and in relation to Japan, the Cambodia-Laos-Vietnam Development Triangle Area (CLV-DTA) that overlaps northern Cambodia, southern Laos and western central Vietnam is of key interest to Japan's economic power actors.

Fig. B The Greater Mekong Sub-region and Economic Corridors



Source: Ministry of Transport (Thailand)

Together, these three unique elements of the GMS - its mix of differing economies and their boundaries, transnational connectivity through corridors and sub-national connectivity development triangles at intersecting points of those corridors, has methodologically meant the need to keep a 'levels of analysis' in mind, but not the classically statist neo-Realist model of individual, domestic order and international system configuration.⁹⁵ Rather, one that instead is structured: region > sub-region > sub-national, that is interlaced with transnational sinews and cross-border connectivity. In this way the political-economy analysis can move towards a global GPE standing and away from an international IPE standing.

Coupled with a regional analysis will be national level case studies, with the intention of analysing how each is being affected by Japan's economic power and guided towards integrating into the GMS, and how each country's unique modes of production and forms of state either hinder or help this process. This sequence of country level case studies presented here is the same sequence that will appear in the thesis. The first of these is Thailand.

3.1.2.2 Thailand

Thailand is a long time political ally for Japan and the region and site of Japan's proxy economic power. WWII collaborator, anti-Communist Western ally, and pro-Capitalist Thailand has long offered Japan and other global actors a guaranteed ally in a peninsula full of Communist regimes. Not only a long standing political relationship, but also a well established economic relationship is enjoyed between Japan and Thailand. Thailand, and particularly Bangkok, is the hub of Japan's sub-regional production spokes - the 'Bangkok plus One' model. Despite liberal assumptions of how capital drifts towards the bottom, and Thailand would be replaced by cheaper labour elsewhere, this is not the case with Thailand. Despite economic imperatives (rising wages), political crises (constant military coup d'états) and natural disasters (floods in Bangkok), Thailand remains top of Japan's sub-regional priorities and there is little desire to de-camp from the power base established there. This is because Thailand's role to Japan is not only long time political ally and well established economic base, but also as

⁹⁵ Waltz, Kenneth. (2001) *Man, the State, and War: A Theoretical Analysis*. New York: Columbia University Press (3rd ed.)

'partner'. This means that Japan is able to use Thailand to introduce initiatives by proxy into the Mekong region, which may otherwise stumble if not neutralised by the introduction of a local actor.

3.1.2.3 Vietnam

Vietnam's position in relation to Japan is far less developed compared to Thailand's but regarded in this study as equally strategic in nature. Firstly, situated on the eastern seaboard of the Mekong peninsula, Vietnam's long coastline and multiple ports offer the inter-regional entry point that Myanmar also offers on the Mekong's Western seaboard through which to cross the Mekong. Cambodia's fledgling but full of development potential southern Sihanoukville port also offers a potential risk management option when compared with Bangkok port's central role in Japan's production and logistics links. Second, politically relations are less developed as they are with Thailand, but due to the continued involvement of Japan's corporate sector and especially particular general trading companies during the Vietnam War and later US estrangement, Japan's relations with the Socialist regime are quietly well established and not dependent on the so-called post-Cold War 'thaw'. Third, due to deep historical distrust between Vietnam and China, Japan regards Vietnam as a particularly important potential partner in quelling China's regional ambitions. Not only regionally, but Vietnam is also potentially useful to ally with in order to buffer China's influence in the Mekong region. Despite embarrassments over the corruption of aid, cultural differences, and lack of an adequate skill base, it appears that Japan's public-private approach to Vietnam is to tolerate difficulties for the sake of wider strategic objectives. Lastly, and similar to but less development than Thailand, Vietnam is viewed as a potential regional proxy through which to influence the sandwiched states of Cambodia and Laos. Having such as regional proxy, but in Vietnam's case a Socialist regime, aids in the transmission of Japanese power by filtering it through the validation of a Socialist regional power.

3.1.2.4 Cambodia

Cambodia is approached in this study as unique in Japan's foreign relations. Firstly, with the post-genocide UNTAC intervention, the Japanese state assumed central responsibility for rebuilding Cambodia. This was a test of Japan's ability to engage actively in international affairs, albeit largely from within an economic power paradigm. As such, Cambodia's political and economic progress, or lack thereof, remains an 'albatross' around the Japanese state's neck. Japan's relations with Cambodia are more existential than simple political or economic influence. Cambodia's progress represents a benchmark from which to judge the effectiveness of Japan in international affairs; a link that some in Japan's political establishment and many in Japan's business sector active in Cambodia, would rather did not remain. Secondly, Cambodia is central to Mekong wide connectivity. Phnom Penh is the cross-sectional epicentre of both the East-West and North-South economic corridors, and the entire infrastructure that comes with those corridors. Cambodia thus occupies a key 'bridgeway' role in Japan's region wide connectivity ambitions.

3.1.2.5 Laos

Laos's relations with Japan are approached in this study as being stumbled by two important factors - proximity to China and the lack of a fully centralised, bounded nation-state which makes sub-nationalism an increasing priority for Japan's economic power. Japan's economic power public-private nexus has a long history in Laos, enduring even during decades of Cold War era 'hot' war. However when the Communists came to power in 1975, Japan conformed with US led embargos and cut off relations with Laos. Despite the continued keenness in Vietnam, despite the regime and the US's distaste for it, to remain; in Laos there was less ambition to weather difficulties. As such Laos has until recently occupied a peripheral role for Japanese economic power. Where Laos does begin to offer routes to understanding hegemony, is the role placed by proxy of Japan's working through Thailand. The important economic role played by Thailand in Laos, through Laos's western border connectivity with Thailand coupled

with heavy Thai investment in hydropower, means that Japan's economic relations with Thailand offer a stepping stone into influencing Laos.

3.2 OPERATIONALISING HEGEMONY: MATERIAL POWER, INSTITUTIONAL POWER, AND IDEATIONAL POWER

At this point a challenging question arises: how is it possible to *see* hegemony? In other words, how can the researcher *measure* hegemony? Hegemony is a combination of the ability to align the triumvirate of activity spheres within a 'historical structure' (the social relations of production, form of state and world order) while also within each of these, utilising a three-part power triumvirate that is the 'social forces of production' (material power, institutional power and ideational power). Andreas Bieler and Adam Morton recommend one avenue of empirical investigation that calls for analysing the three levels of activity within a historical structure - production, state and world order.⁹⁶ The entry point to the investigation of these big ideas comes through Cox's three part separation of the social forces of production or, the three forms of power. 'Seeing' hegemony means finding ways to discern how material power, institutional power and ideational power are operated inter-relatedly in order to connect the social forces of production with forms of state and world orders, i.e.: how the three forms of power are used to affect changes in nation-states that align them with the GMS. The means by which this operationalisation has been approached is to be found below (summarised below, table A).

3.2.1 Material Power

Dominic Kelly, has previously applied a Coxian model of hegemony to the study of Japan in East Asia.⁹⁷ This study attempted to connect Cox's theoretical framework with Susan Strange's 'structures' of political-economy, resulting in a highly original analytical framework. Kelly showed the way into a route away from meta theory and into operationalisable categories. However in the study, Kelly links Cox's notion of hegemony with the first four of Strange's structures of political-economy: production, finance, security and knowledge; omitting Strange's secondary four structures of transport, trade, energy, and welfare. The issue here is that these secondary structures of political-economy are also important and desirable to be incorporated into the analytical frame. In addition, a means by which to examine day to day, agent to agent influence (Strange's definition of 'relational power') also needed to be brought into frame alongside 'structural power'. In Christopher Hughes's notion of 'economic security power' this compromise was found, and 'economic security power' has been used as conceptual taxonomy through which to address Cox's notion of hegemony as material power. Despite Hughes's coming to the concept through the 'global civilian power' path, the notion can equally be attached to Cox's material power dimension and is tangentially doubly useful in having been pre-tested by Hughes in an analysis of Japan.

The notion of 'economic security power' emerges from Christopher Hughes's study of Japan's economic-security relations with North Korea.⁹⁸ Hughes begins with the positing of this power operating directly and indirectly. Direct power, Hughes acknowledges is akin to Strange's definition of 'relational power', is the ability by a state to consciously utilise an economic 'carrot' or an economic 'stick' towards the goal of compulsion (to act) or deterrence (not to act). Indirect power is the ability, according to Hughes, to affect totalities either unconsciously through sheer size or scale within economic systems or, akin to Strange's 'structural power', be able to affect the 'rules of the game' by limiting or expanding options. Hughes's own analysis contrasted economic power with military power, and did not employ a neo-Gramscian/Coxian theoretical framework. Nevertheless, it is felt that through the incorporation of Strange's relational and structural power, enough of a crossover exists to warrant its application to a neo-Gramscian/Coxian theoretical framework.

⁹⁶ Bieler, Andreas. & Morton, Adam. D. (2003) 'Theoretical and Methodological Challenges of neo-Gramscian Perspectives in International Political-economy'. *International Gramsci Society Online Article*, January 2003. Available at http://www.internationalgramscisociety.org/resources/online_articles/articles/bieler_morton.shtml (accessed 03.03.2014)

⁹⁷ Kelly, Dominic. (2002) *Japan and the Reconstruction of East Asia*. New York: Palgrave Macmillan

⁹⁸ Hughes, Christopher. (1999) *Japan's Economic Power and Security: Japan and North Korea*. Routledge: Sheffield Centre for Japanese Studies

3.2.2 The Material Power/Economic Power Framework

After defining power in direct and indirect terms, Hughes's goes on to offer characterisations for how economic power is expressed in the real world. These characterisations or 'dimensions' form the methodological framework being employed in this study. These are: *production*, *finance*, *trade*, *communications*, *energy*, and *economic aid*.

3.2.2.1 Production

Production power, in this case narrowly defined as opposed to Strange's broader meaning, refers to the material ability to create wealth, which has subsequent effects on the power relations between states. The agents here are trans-national corporations (TNCs) who operate beyond state borders in an increasingly globalised production system. The involvement of a TNC in another state creates a power relationship whereby that TNC, often with links to their domestic state, is able to modulate wealth creation in the host state, creating a power relationship. Direct productive power Hughes defines as occurring when "[...] the penetration of a host state's economy by a TNC opens up the possibility of home states utilizing and manipulating TNCs in order to achieve foreign policy and other objectives".⁹⁹ Indirect productive power refers to when "...FDI brings with it external production links and norms of wealth creation which integrate the host state into the economy of the TNCs home state and the international political-economy as a whole".¹⁰⁰

3.2.2.2 Finance

Finance power is the ability to create or control the flow of credit. In relation to finance "...direct power is derived from the provision of loans or investments which initiate a relationship of interdependence between creditor and debtor [...] indirect power is derived from the weight of presence of a state in the international system and how the system works to its advantage".¹⁰¹ However, as Hughes himself points out, this dimension of economic power can become extremely murky due to the number of differing actors involved - private, public, semi-public, multilateral. This makes the analytical clarity of making conclusions about 'financial power as exercised by government' versus 'financial power as exercised by bank' ambiguous. To a certain degree this can not be helped in today's financially driven world. However some degree of comfort can be taken when Japan especially is focused on, due to the high degree of overlap and interplay between public and private banking; either through guarantees, bailouts, or general sharing of market data.

3.2.2.3 Trade

Trade power, far from 'free' or 'open' is highly political and always has been, despite neo-liberal dogma. Trade is a negotiated process of granting or prohibiting access - or deciding the middle point between - for certain countries, or for certain forms of technology, or for certain markets. Direct power along this dimension is when a state is able to "...manipulate actively the terms of trade on the bilateral and multilateral levels", and indirect power comes when states can "...establish the rules of international or regional trade orders, and thereby draw other states into long term conformity with its economic and political norms, and also interdependent trade relations".¹⁰²

3.2.2.4 Communication

Communication power, referring to any means of distributing information - physically in the form of transportation, or ephemerally in the form of media or information - has direct power

⁹⁹ *ibid*, Hughes, p. 39

¹⁰⁰ *ibid*, Hughes, p. 39

¹⁰¹ *ibid*, Hughes, p. 41

¹⁰² *ibid*, Hughes, p. 42

elements that refer to "...an ability to deny or provide to other states access to transport systems and telecommunications networks...", and indirect power elements that refer to "...dominance over a transport market or the simple fact of its geographical location [and] even more importantly, the information carried via transport systems and telecommunications networks from one state to another brings with it perceptions and beliefs".¹⁰³ This study will tend to focus on the physical manifestation of communication power - land, sea or air transport systems - but where appropriate the ephemeral will be noted. An analysis utilising the latter would be usefully emphasised in a study that emphasises the ideational power aspect of Cox's hegemony triumvirate. Given Japan's distant, island geography this dimension is an inherently weak one for Japan. However, the prioritisation placed on its provision through state based ODA programs attempts to bridge this ocean based barrier.

3.2.2.5 Energy

Energy power refers to the ability to generate, supply, or run the transport systems that allow user's energy demands to be met. Direct power along this dimension comes from the ability to "...control consciously the energy supplies and generation capacity of other states", and indirect power comes from "...the size of its share of the global energy market".¹⁰⁴ Given Japan's lack of natural resources, this is inherently Japan's weakest dimension. Energy power inherently creates a greater need to rely on the US for the securing of vital Middle East oil supplies, in addition to depending on the US and other Southeast Asian states for security of transport through the Malacca Strait. However, Japan's technological capabilities allow for power to be enhanced through the process of refinement. Possessing natural deposits of oil and gas are advantageous, but not if they cannot be accessed or put into a form that is un-useable or un-sellable. Japan's dealing along this dimension means the utilisation of its technological edge in this secondary, refinement, process.

3.2.2.6 Economic Aid

Finally, on economic aid power, Hughes divides aid into two categories - humanitarian aid and aid that is designed for long term growth and economic development agendas. For the purpose of clarity, this study is focusing on the much larger and more frequent second of these forms. Direct forms of expression relate to the ability of a donor state "...to offer positive or negative sanctions and draw states into conditions of dependency", while indirect power lies in the ability to provide grants or loans that change long term underlying economic problems.¹⁰⁵ Like with finance, this dimension can become extremely analytically blurry. Not only is this due to a comparative factor - the high variety of bilateral and multilateral actors involved, but because of the wide array of different forms of economic aid. Japan's use of economic aid as technical assistance, grants or loans, each offers quite unique means of political control. For example, while technical assistance may be the smallest in volume (in comparative budgetary terms, technical assistance is fairly small - paying specialists' salaries is far cheaper than paying to build a cross-country highway) it is potentially the largest in hegemonic terms. Technical assistance pays for 'organic intellectuals' to travel abroad and serve two functions: either (1) offer political assistance, meaning recommending legal, constitutional or institutional changes; or (2) economic assistance, meaning the invitation of experts into a territory in order to survey its economic capacity and potential in order for projects to later be planned. Both of these forms of intervention involve the crossing over into Cox's ideational power (the provision of new, or the reinforcement of old, ideas) and institutional power (forming close personal relationships with institutional figures, learning the informal communication routes through those institutions, or being in a position to recommend changes to those institutions).

Before moving on, three points on the use of this framework should be made. First, the reader will find the approach to structuring the ensuing case studies follows the above framework. Each case study's relations with Japan will be scrutinised through the above six-dimensional

¹⁰³ *ibid*, Hughes, p. 44.

¹⁰⁴ *ibid*, Hughes, p. 45.

¹⁰⁵ *ibid*, Hughes, p. 44 - p. 47

framework, and each dimension sub-divided by level of operation - 'direct' or 'indirect'. However second, a slight departure will be made from how Hughes' presents the economic power dimensions in his own analysis of Japan-North Korea relations. Rather than present them each in turn and in isolation, the economic power dimensions as employed in this study will be sequenced in a way appropriate to the unique nature of each case study. For example, Japan's economic power expressed through foreign direct investment (FDI) is high in Thailand but low in Laos, whereas Japan's official development assistance (ODA) is high with Laos and low with Thailand. It is felt that by sequencing the dimensions in a way appropriate to each case study not only appreciates the realistic differences between cases in their relations with Japan, but also permits an easier flow of the argument to the reader. For example, ODA does not simply mean the provision of capital. It is capital *used for* something; building a road for example. Such a project would fall under the 'communications' dimension, and it therefore makes logical sense for the reader to learn about how one dimension of economic spills over into another dimension. Finally, is the reminder that these economic power dimensions are never being considered in isolation from each other, nor the umbrella concept of economic power considered in isolation from institutional power or ideational power. These are conceptually taxonomic sorting devices are not isolated levels of analysis. The picture that is being painted is one of richness in totality rather than perhaps the clarity that comes from isolated variables.

3.2.2 Institutional Power

Where material power mingles with institutional power is sometimes relatively straightforward to discern, and sometimes less so. Institutional power is not a primary strand of emphasis in this study, but it is a very important secondary route to hegemony. There are a number of ways that institutional power operates. Broadly, these can be classified into exogenous and endogenous groupings, and finding the sites/times where these two directions of influence meet is where Cox's concern to find how world orders affect change in nation-states becomes operationalisable.

3.2.2.1 Exogenous and Endogenous Institutional Influence

The exogenous use of institutional power is the ability for Japan to impact upon another state/economy either bilaterally or multilaterally. Bilaterally this would mean analysing the diplomatic, bureaucratic and corporate behaviour of the Japan based actors in relation to their equivalents in the MRBCs. Multilaterally, exogenous institutional power would mean the ability for Japan to work in consort either other bilateral actors or more frequently, working regionally with the Asian Development Bank (ADB) or United Nations, often the World Bank (WB). In relation to this second, multilateral ability, this will take on an important role in this study, especially Japan's relationship with the ADB (see chapter four).

Turning to endogenous institutional influence, this may refer either to (1) the creation of totally new institutions, or (2) the influencing of adaptation in existing institutions. Both of these are in operation in Japan's dealing with the Mekong countries. In practical terms it means the creation of institutions to handle new economic power processes, e.g.: the creation by the host country of an export-import bank to handle FDI or a 'development committee' to manage foreign aid provisions (many alternate names can be found for this but they essentially serve the same function). As the host state aligns with certain world orders, the creation of these new institutions creates new channels of influence for new actors to access power brokers. In relation to the ability to modify existing institutions, in practical terms this means for example, the creation of special Japan only meeting bodies written into economic partnership agreements; the ability for technical assistance to be used to reform existing legal frameworks or institutions; or to be able to place Japan friendly actors within host country institutions in order to adapt policy from within. Both of these forms of endogenous institutional influence - creation or modification - are evidence of the phenomenon that Cox and other neo-Gramscians call the 'internationalisation of the state' whereby an institutional 'mirroring' takes place. That is, not only the ability to maintain exogenous surface to surface contact, but to also penetrate the bubble and affect endogenous change from within.

3.2.2.2 Formal and Informal Institutional Influence

Measuring exogenous or endogenous institutional power can be sub-divided into formal or informal influence. Formal influence is here regarded as the creation of publicly recognised channels of communication. Summit meetings, various levels of political engagement (foreign ministers meetings, economic ministers meetings, etc.), institutional bodies, or sub-institutional working groups, are all indications of formal institutional influence in operation. In addition, if ‘institution’ is taken more widely to refer to agreements and legal frameworks, the formal influence that comes with the creation of particular clauses in agreements or the influencing of reforms of existing laws, also count as formal institutional influence. Informal influence is the behind closed door impressions and interpretations actors are able to portray in official settings, or the ability to draw upon non-official, non-governmental actors within a network to influence official proceedings.

Formal institutional influence is relatively easy to measure since meetings are often known to the press, public statements are often given, and records of minutes are kept. What is less readily available is the informal influence that occurs in such meetings. Impressions actors have of each other, threats or inducements made, informal processes and assumptions made of policies and institutions, and subtle changes of approach that may be too subtle to discern from policy statements or treaty documents; are all examples of informal institutional influence at work.

3.2.3 Ideational Power

Ideational power within Cox’s approach refers to the ability to propagate or buffer a particular worldview, in such as way as to make the politics of that world view disappear and be assumed as economically normal. Ideational power is the most under operationalised of the hegemony triumvirate due to the positing of the GMS as the major ideational world order framework that is being used as an ideationally hegemonic device. However within the large framework of the GMS are a number of sub-ideational notions that help to tie the framework together. In addition there are various linguistic nuances that belie a particular approach as being in place. As such, a distinction is made between how ideas were approached in this study; a distinction between ideas that regionally oriented, i.e.: between country and GMS; and ideas that are nationally oriented, between the country and Japan.

3.2.3.1 Regionally Oriented Ideas: MRBC ⇔ GMS

The regionally oriented ideas involved here are those that Japan and related actors such as the ADB can propagate as ‘normal’ for the MRBCs to align with from the GMS program. Firstly the sub-national notion of the GMS, and the concomitant ‘connectivity’ agenda. Japan, the ADB and the WB are attempting to align the Mekong states towards an ideational worldview that accepts sub-nationalism as a virtue in their role within the Mekong; accepts the importance of the Mekong River as a basis for intra-regional cooperation; and accepts notions such as ‘economic corridors’ (which criss-cross the Mekong and guide investment and infrastructure building), ‘development triangles’ (which pin together certain sub-national regions) and ‘cooperation zones’ (nodal points often at international check points surrounded by key border towns). The key to understanding hegemony here is to demonstrate how these region wide ideas then become a part of each Mekong state’s national policy orientation and reflected in specific policy changes. Further to this, is the need to demonstrate Japan’s (and/or related) involvement in this regional to national ideational transmission.

3.2.3.2 Nationally Oriented Ideas: MRBC ⇔ Japan

The nationally oriented ideas here refer to micro-ideational notions that are part of wider ideational frameworks. This can involve the penetration of civil society, either in socio-cultural form through the generation of soft power through cultural institutes, or in intellectual form with the creation of research institutes or sponsoring of university programs. Here overlap exists

with endogenous institutional power, as neo-intellectual or social support structures such as think-tanks, socio-cultural bodies, or ‘Japan Towns’ are created that produce, distribute or normalise certain ideas or social existences. Through these idea factories, ‘bottom up’ support for Japan-friendly concepts and plans can be generated either with the public at large or within organic intellectual circles. A second form this may take is through a change in discourses related to Japan’s politico-economic relations. This can be reflected in particular forms of linguistic expression and diplomatic ‘code words’. For example, the recent use of ‘win-win’ has become a favoured part of Japan’s diplomatic codex that is often found parroted by Mekong diplomatic officials. The notion denotes the idea that there are no losers in a politico-economic exchange and is situated in contrast to fears over China connected relations that small Mekong states will be lost in win-lose relationships beneath the scale of China’s potential. Another example is the notion of ‘price versus value’, a harmless enough sounding comparison of economic values but which is again, being used in relation to China’s economic presence in the region. In this case, with the knowledge that Japan’s involvement in development projects means more expensive but longer lasting, and China’s involvement means cheaper but more likely to fail, the underlying ideational expression is that a choice exists for Mekong leaders between price (code for China) and value (code for Japan).

Table. A Methodologically Approaching neo-Gramscian/Coxian Hegemony

| Hegemony Triumvirate | Dimension | Channel of Influence |
|-----------------------------|---|-----------------------------|
| Material Power | Production | Direct |
| | | Indirect |
| | Finance | Direct |
| | | Indirect |
| | Trade | Direct |
| | | Indirect |
| | Communication | Direct |
| | | Indirect |
| | Energy | Direct |
| | | Indirect |
| | Economic Aid | Direct |
| | | Indirect |
| Institutional Power | Exogenous (Bilateral) | Formal |
| | | Informal |
| | Exogenous (Multilateral) | Formal |
| | | Informal |
| | Endogenous | Creation |
| | | Modification |
| Ideational Power | Regionally Oriented Ideas: MRBC \diamond GMS | |
| | Nationally Oriented Ideas: MRBC \diamond Japan | |

Source: author

3.3 INVESTIGATING HEGEMONY: METHODOLOGIES

3.3.1 Investigating Material Power

The main methodology employed to measure material power is descriptive statistical analysis. This involved the gathering, sorting analysing and presentation of relevant data sets (summarised below, table B). Since a social approach to material rather than for example, an econometric approach, was being employed, descriptive rather than inferential statistics were appropriate. In adopting a statistical methodology, the conceptualisation of those statistics was

regarded as part of a much larger story, and where possible they were always related back to policy, historical context or comparison in relation to other actors.

In many of the case studies employed in this study, simply finding statistics was the biggest challenge. Less with regards to Thailand, but especially with regards to Vietnam, Cambodia, and Laos, readily available databases are not available. Where statistics were available, they are often held in forms that do not lend themselves to analysis. Lack of online access; statistic often being held in paperback 'statistical yearbook' form; poor data collection leading to patchy datasets; and widening categories of measurement resulting from an increasing alignment with international accounting techniques, all presenting challenges to a statistical analysis. In addition, the desire existed to gain as longitudinal a dataset as possible meaning the further back in time, the patchier and less categorically comparable the data.

The solution was twofold. First, to deal with the issue of access, field research was conducted in the Mekong region (more detail in the following section on interviews). This permitted access to key data collection sites such as government libraries, semi-government advocacy research institutions, or resources gained from interviews with Japanese business officials. Secondly, to deal with the issue of format, great time spent on data inputting. This conversion of paper datasets into digital databases has resulted in statistics being relied on in this study that are likely not easily found elsewhere. Not only with digitisation has comparison become possible, but also the ability to draw on longitudinal trends that reach back deep into the Cold War period and run up to the most contemporary of years. This stress placed on finding data from as early a year as possible, has been driven by the historicist impulse in neo-Gramscian thought to move away from the contemporary and see the bigger picture; the longer trend. This effort has hopefully moved this study's originality away from those other studies of the Mekong region that rely on data that is often only five to ten years in span.

3.3.2 Investigating Institutional Power

As stated above, institutional power has not been applied in such primary terms as material power in this study. Nonetheless, the concern has been for how material power interacts with institutional power in formal and informal terms. Methodologically approaching formal influence has meant relying on a number of techniques. One has been the creation of timelines - the mapping of meetings and events to discern how much contact and with whom, Japan has been formally relating with. Another method has been the close reading of economic agreements and treaties to discern special provisions that Japan may be interested in inserting that are comparability less or none existent in the case of other economic powers. A third method has been to compare the forms of institutions that relate to Japan, across the countries of the Mekong. Often, at various points in the stages of engagement with Japan, a familiar profile of government, semi-governmental or ostensibly non-governmental (but which remain closely tied to Japan based institutions) institutions with spring up in the Mekong countries. 'Co-operation centres', 'friendship associations', or the sponsoring of university departments (in Thailand's case, building an entire university) are all pinpoints of formal institutional connectivity.

However an acute concern of this study has been to get closer to the channels of informal institutional influence. One readily available technique is to analyse the recently released Wikileaks database of diplomatic cables. In there can be found the often classified inter-subjective understandings of, albeit largely from the US perspective, officials dealing with Japan and in situ within the countries of the Mekong. However this secondary data source needed to be complemented with primary data collection, and so field research based interviews were conducted in the countries of the GMS.

The primary purpose of this field research was to conduct elite level interviews with political and corporate Japanese actors working in the region. This elite interviewing technique was intended to fulfil a number of research objectives: (1) to gather local, informal knowledge of Japan's politico-economic dealings with Thailand, Vietnam, Cambodia and Laos; (2) to discern

the subjective world-views of these actors and the world-view impressions of their Japanese peers; and (3) to use these figures to hypothesis test certain assumptions made prior to the conduct of the study. In relation to this latter point, the concern was to evaluate the validity of assuming that Japan has a Mekong based strategy as opposed to a national or -sub-nationally oriented one. That is, whether there is a degree of conscious or unconscious coordination between Japanese business and political figures towards a regional agenda, or whether each is only concerned with their own micro-set of projects and priorities.

3.3.2.1 Field Research in the Mekong Region

Some interviews were conducted with officials in Japan, Australia and the Asian Development Bank (ADB) prior to the field research. However the main stock of interviews conducted for the study was gathered during field research in the region.

3.3.2.1.1 Preparation

The first step in planning the field research was to draw up a sampling frame of potential interview targets. This involved the gathering together of large lists of political, corporate and non-governmental Japanese actors active in the different countries of the GMS. Secondary research had already garnered potential targets and months were spent researching additional (active) actors in the region. Eventually a list of potential interviewees was made, and classified accordingly. The next step was the approach. An introductory letter was prepared that contained all relevant ethical requirements, including the researcher's personal contact details for correspondence, and informed consent as to the nature of the intended interview. The letter was prepared in all the relevant languages involved in the study - Japanese, English, Khmer, Thai, Laotian and Vietnamese, and so as to improve the chance of the letter reaching a person in authority, the multiple language versions of the letter was sent in each case. In total 248 invitations were sent, of which 44 were positively received. The interview was semi-structured, with a general list of questions prepared (also translated) but with the intention of allowing questioning to expand when needed; responses were unstructured. In some cases, interviewees requested to see this list of questions beforehand. Reluctant to do so, if the matter was pressed then the questions would be sent, but in general participants were more interested in the general orientation of discussion topics than the specifics of questions.

3.3.2.1.2 Conduct

Field research was conducted during August and September of 2014, in the central cities of Thailand (Bangkok and Chiang Mai), Vietnam (Ho Chi Minh City and Hanoi), Cambodia (Phnom Penh), and Laos (Vientiane and Luang Prabang). Participants were visited in their places of work at pre-scheduled times. Concerns surrounding the elite nature of participants, i.e.: access opportunity, time given within busy schedules, and veracity of information given political/market sensitivities were initially a concern however most participants were open and receptive, and interviews lasted between thirty minutes to three hours. However to ease concerns over elite interviewee's potential sensitivities, a number of safeguards were employed.

Firstly, the interview question schedule was designed in a staged 'warm-up, main body, cooling off' manner so as to allow periods of relaxation and comfort to enter into the exchange prior to the more politically sensitive lines of questioning, which were kept until later stages in the interview. Secondly, the decision was made beforehand not to use recording equipment. Due to the elite nature of the interviewees, recording would have introduced an unnecessary irritation to already potential sensitivities. Instead, notes were taken during the interview process, with permission sought at the outset and interviewees re-assure that they could see the notes at any time during or after the interview.

Post-interview, notes were transcribed for records. With interviewee transcripts prepared, a password-encrypted folder was created to contain them and their use in this thesis has been coded to maintain participants anonymity. In addition, a request for a moratorium on open

library access to this thesis for a period of time will be made, so as to double ensure participants anonymity.

3.3.3 Investigating Ideational Power

Since, again, this form of power has not been primarily operationalised in this study, no formalised system has been put in place. However there have been attempts made to organise ideational power in certain ways.

In terms of ‘big ideas’, the attempt to historicise key notions has been ever present. Japan and other multilateral literature tend to portray ideational developments such as regionalisation, connectivity and development as natural goods and as naturally occurring. This is rarely the case, and Japan’s role behind these ideas has been sought. Methodologically this has meant the use of secondary literature, the charting of diplomatic meetings into timelines, and the analysis of public announcements to discern when, and from whom, certain ideas began to be raised. Furthermore, it involved reviewing the national policy documents of each of the Mekong states in search of conceptual crossovers between each other, and between Japan. Finally, an effort was made to find non-Japanese, non-official figures in the academic and non-governmental sectors, and gather from them an alternative and potentially critical attitude to Japan’s worldview.

‘Small ideas’ are much harder to discern. Public statements and published documents offer potential sources of linguistic mining, however without someone who understands the code it is difficult to know whether a discovery represents a shared ideational structure or simply lazy linguistic repetition. This is where interviews and field research again proved important. Meeting Japanese politico-economic actors that are active in the region allowed for the attendance of how certain ideas are expressed casually, in a taken for granted way, and where appropriate those actors were then questioned about them. Once secondary literature was consulted it was straightforward to recognise a crossover between the ideas those actors were employing in their day to day affairs - expressed linguistically through certain diplomatic code phrases - and similar language that is being actively used in government or corporate public statements.

Table. B Methodologically Investigating Hegemony

| Hegemony Triumvirate | Channel of Influence | Methodologies/Resources |
|-----------------------------|-----------------------------|--|
| Material Power | Direct | Database building Archive research Descriptive statistical analysis |
| | Indirect | Database building Archive research Descriptive statistical analysis |
| Institutional Power | Formal | Timeline mapping Textual analysis Comparative institutional analysis |
| | Informal | Field research interviews |
| Ideational Power | Big Ideas | Secondary literature Diplomatic Timelines Public Statements |
| | Small Ideas | Secondary literature Field research interviews |

Source: author

3.4 ETHICS, NORMATIVE CONCERNS AND LIMITATIONS

3.4.1 Ethics

Ethical concerns are important to consider in any research endeavour and especially so in this case due to the intention to involve human participants and conduct fieldwork in foreign countries. Concerns related to aims and objectives, methodologies, personal safety, participant issues (consent, inducements, potential harm), and data use and confidentiality, were all addressed through an Ethics Review at the University of Sheffield, and permission to conduct field research was approved. Prior to the conduct of field research, learning was made of country specific issues such as cultural and political sensitivities, and places of potential danger. Weekly reports to 'check in' with supervisory support at the University of Sheffield were a regular occurrence. Participants were fully informed beforehand of the nature of the study, no deception was used, and all participant's privacy has been secured both in the keeping of participants data and information revealed in interview, and in the reporting of that information in this thesis. When referenced, sources will be identified only by code, with only select members of the University of Sheffield, Tohoku University, and UK external examiners having access to the name codex. Finally, this thesis will be embargoed against immediate submission to university libraries for a certain period, in order that there is a sufficient time gap between the events reported here and the participant's involvement in the study.

3.4.2 Normative Concerns

Normative concerns are also pertinent, largely centring on the cross-cultural dimension of this research and cover issues concerning 'positionality', 'reflexivity' and 'representation'. Positionality refers to the researcher possessing an understanding of their position within their social context. In this fieldwork where the topic is Japan as behaving in situ within a third party region, positionality offers a potential research advantage. The researcher's position being third party looking out towards the two - Japan and the Mekong country in question. As opposed to for example, research conducted on the same topic but by a Japanese researcher, there may be an extra willingness to be open to this researcher by both parties in ways that would not be so keenly felt if the researcher/interviewer was socio-culturally positioned closer to them.

Reflexivity refers to the need for a researcher to reflect on themselves and the methods being employed, and be aware of how knowledge is being produced, and potentially re-produced, though inherent power relations. In seeking to resolve this, full records will be kept (anonymously) of all interviews and if at any further date an issue were to occur, these records could be checked for possible misinterpretation. In addition, as per University of Sheffield Doctoral Developmental Program requirements, an e-portfolio of reflections on research and work conducted has meant the consistent reflexive impulse through the term of this research. Furthermore, regular tutorials with University of Sheffield and Tohoku University supervisory teams has meant the need to ever more regularly reflect and justify research questions and the means planned to answer them.

Representation refers, especially in a cross-cultural and multi-lingual environment, to how the 'other' may be constructed and conveyed by the researcher, e.g.: stereotyping, simplifying, even racism or sexism. Normative concerns around representation are tempered in this case by the researcher's previous experience in Japan and knowledge of the country and its people, coupled with conducting the research within a specialised Area Studies/Asia Studies oriented department at the University of Sheffield and secondary support from Tohoku University in Japan. If at any time misrepresentation or misinterpretation is entering into the research, these departments and staff will quickly detect and correct it. Again, full records of all research activities will be kept (anonymously) for checking by third parties at a later date if necessary.

3.4.3 Limitations

The first potential limitation is a theoretical one concerning the problem of agency. Neo-Gramscian notions of hegemony posit that actors are social beings and that unlike traditional Marxism posits that agent choice can affect structures. Nevertheless, structures also affect agents and when historicism is added, a Coxian analysis pre-supposes that human beings are swept along by the modes of production they exist within. This presents obvious difficulties in terms of agency and has implications for field research. For example, when actors are interviewed and answers brought into the analysis, there is a conceptual dividing line between how much that actor may be presenting their honest as they perceive it worldview, and how much their expression is commonly held across multiple actors and indicative of a structure rather than the individual. Attempting to resolve this means the careful balancing during field research and post-field research results use, of individual impressions *vis a vis* social circumstances. It also meant balancing the decisions and policies of nation-state leaders *vis a vis* regional wide agendas and policies. That is, through the careful search for comparable evidence across Mekong state's statements and policies, helped to discern common trends and shared worldviews that may have been individually espoused on state agents but nonetheless represent a common agenda.

A second, limiting challenge came in terms of research methods theory, namely the correlation/causation nexus. Material power alone, which may reveal high volumes of for example FDI or ODA, does not automatically indicate concomitant political influence. Dealing with this issue is where the strength of a Coxian approach becomes ever salient. A mainstream International Relations approach may stop at material power, but with Cox's imploring of the need to include institutional and ideational power, and to consider the interplay between them, a Coxian analysis can go beyond cold statistics and into warm social meaning. Discerning causality in the social sciences is virtually impossible, and there can be no 'smoking gun' found here. However, the attempt made here to bridge the economic with the social, the contemporary with the historical, and the singular dimension with inter-related dimensions, attempts to move beyond the simplicity of correlation by adding qualitative context.

The third possible limitation is a practical one, concerning access to key secondary and primary data. With a paucity of statistical information due to the case studies being investigating, coupled with a choice interview population target that involves Japanese political and corporate elites, this study opened itself up to issues of access. This was resolved through the decision to conduct field research and locate archives and actors that are active in the Mekong region, attempting to get as close to data sources as possible. It was this decision to actively seek out and get as close to potential data sources as possible, in addition to the careful planning and preparation for that field research, which in general overcame these potential limitations.

3.5 CONCLUSION

In summary, this chapter has detailed step by step how the political philosophy outlined in chapter two, was translated into an empirical research program to investigate hegemony within Japan's relations with the Greater Mekong Sub-region (GMS) and the Mekong River Basin Countries (MRBCs).

Neither assumed to be perfect nor the only possible such translation, this research has employed a complex array of methodologies to investigate multi-dimensional power channels that are themselves one of multiples. The awareness of the need to consider a levels of analysis from a global political-economy approach rather than an international political approach; the use of primary and secondary sources and methodologies; and an awareness of the need to recognise overlaps and interplays not only between the case studies but the differing forms of power, has led to the creation of a methodological approach that at least in part manages to bring Cox's approach to hegemony out of the political-economy theory books and into the research laboratory.

In the subsequent chapter and prior to an analysis of the dependent variable case studies, a detailed description of Japan in international society will reveal the particular approach being taken in this study to Japan's international relations and political-economy.

4.0 JAPAN IN THE WORLD

In this chapter, the reader will notice a shift out of the disciplines of International Relations and Political-Economy and into the Area Studies discipline of Japanese Studies. Cox would not have accepted such artificial academic dividing lines and they are not being substantially employed here. Just as politics cannot be separated from economics, nor political-economy be separated from international relations; neither can Japan Studies or East Asian Studies be separated from either international relations or political-economy. However, it is considered fruitful to attempt to marry together the panoramic views of international relations and political-economy, with the knowledge gleaned from the localised, descriptive detail afforded by an Area Studies or Japan Studies disciplines. Bringing these two academic approaches together - IR/GPE and Area Studies/Japan Studies - is the main theoretical challenge of this chapter. What follows is less analysis - since this thesis is not an analysis of Japan, but an analysis of Japan's relations with other actors - and more positioning. It is the attempt to situate how this study approaches the international relations of Japan, isolated from questions concerning Southeast Asia, the GMS, or the MRBCs.

The central argument in this chapter is that Japan and its international relations and political-economy are not to be understood as working within the liberal world order or liberal state paradigm. Japan's foreign relations are based on entirely different historical structures and understandings of Japan's role within international society. The cacophony of theories and characterisations of Japan are testament to this, and testament to the frequent confusion and misunderstanding of Japan's relations and intentions. The chapter addresses this in three steps. Firstly, the attempt is made to historicise Japan. This is with the intention of attempting to identify the class dynamics and modes of production that have underpinned Japan since the Meiji Restoration in 1868. What results is the conclusion that Japan's historical political-economy is rooted in a different historical mode to the Anglo-Saxon liberal order and this has far-reaching ramifications for how Japan interacts with a US dominated global hegemony. Secondly, the chapter examines scholarly debates on how Japan's contemporary international relations and political-economy are to be conceived. With an eye towards extending the historical understandings gained from section one into how those historical structures continue to affect contemporary Japan, the section concludes that in the current period of potentially waning US global hegemony, domestic economic crises are coupling with a freer world order environment to open up space for a more activist Japan. Finally, with an understanding of Japan's historical difference coupled with an appreciation of how these historical structures have mixed and mingled into Japan's contemporary international affairs, the third section attempts to empirically map how Japan's hegemony operates in the real world. Given the particular worldview towards political-economy that Japan generally holds in its foreign affairs, these methods and techniques are subtle means by which to generate consent among other country's so as to make it appear that what resulted came naturally of its own accord. As such, they serve as methodological guideposts from which the reader will gain a greater understanding of the mechanisms of influence involved in subsequent case studies.

4.1 HISTORICISING JAPAN

The aim of this section is to pull out the differing social relations of production, class conflicts and forms of state that Japan has passed through in the near fifteen decades since the Meiji Restoration until now. David Williams's *Japan: Beyond the End of History*, reminds us of the temptation towards Western-centric presumptions that underlie many of the definitions and approaches towards Japan.¹⁰⁶ Highlighting how claiming for fundamental social truths, i.e.: the superiority of liberal, capitalist democracy, really cannot account for very much of the diversity between democracies, capitalisms, and indeed forms of liberalism, Williams argues that Japan is not only a different nation-state, with a different state structure, but is also not of Anglo-Saxon origin and does not readily fit into contemporary Anglo-Saxon world schemes either. Williams's

¹⁰⁶ Williams, David. (1993) *Japan: Beyond the End of History*. London: Routledge (Nissan Institute/Routledge Japanese Studies)

warnings have not fallen on deaf ears here, and by historicising Japan's 20th century history with Cox's scheme in mind, it is believed that some of Japan's uniqueness can be revealed.

4.1.1 World Orders I: Classes, Social Forces, and Forms of State in Japan

4.1.1.1 Meiji Restoration

Japan's Meiji Restoration arrived during the time of Cox's first hegemonic world order - pax Britannia. Japan's voluntary autarkic *sakoku* policy had the effect of freezing in place a feudal mode of production at the levels of Cox's 'peasant-lord' and 'enterprise labour market' classifications. Japan's Edo period (1603-1868) was characterised by a military state-society complex under the *bakufu shogunate* system, and organised by social forces of production in peasant-lord and primitive labour force modalities. This maintained a socially hierarchical feudalism, governed by a hegemonic class - the *bakufu* and wider samurai class, economically grounded in an agricultural 'simple reproduction' system. Even within this modality intra-elite class differentials existed. Owing to allegiances made before or after the Battle of Sekigahara (1600), Japan's elite class military lords (*daimyō*) were divided between those who were allied to the new regime before the battle (*fudai*) and those who allied with the new regime after the battle (*tozama*). This centre-periphery elite arrangement ran alongside ideationally different attitudes towards economic life. Historian Amino Yoshihiko has argued that rather than regard, as is typical, Japan as historically one country with two different political systems - *shogunate* and emperor, it is more appropriate to regard Japan historically as two systems entirely - a 'northern court' and a 'southern court'.¹⁰⁷ The northern court representative of the *bakufu*, promoted a political-economy based on what Amino calls an 'agrarian fundamentalist ideology' stressing the land, while the southern court beginning with Go Daigo, aided and supported the merchant and commercial class that stressed not only free trade but also sea based foreign trade.¹⁰⁸ These two variations combined within the decentralised *bakufu* system, with *bakufu* controlled lands developing income from agriculture while southern provinces were more market oriented.¹⁰⁹

In a display of how powerful historical structures born on class/social group antagonisms can be, this southern proto-industrial elite launched a 'revolution from above' and seized the new Japanese state.¹¹⁰ With a new dominant group came a new form of state, instilled with the internationalist free market drive held within the southern court worldview, and for a time the world order supported it due to: (1) the relative lack of interest in Japan compared to the real prize of China, giving Japanese elites more time to organise their return to a now global rather than regional order and (2) division between foreign elites as to which Japanese institutions to support, with the French supporting the pre-existing *bakufu fudai* elite and the UK and US supporting the imperial faction agenda and 'outside' *tozama* clans.¹¹¹ This southern elite had long known of the more advanced West through maintained outside links through the Dutch, and once given free reign of the state sent out teams of aristocrats to learn models. Famous missions to pax-Britannia in the form of the Choshu 5 and the Satsuma 14 did not manage to move Japan fundamentally towards the liberal state model.

The Meiji reformers were attempting to create the world's first non-Western, modern nation-state. What they were not attempting to do was *become* Western, i.e.: liberal or democratic. The goal was a functional one that would build a nation-state that had both economic and military capacity to sit in parity with Western nations, while also maintaining the new class's positions.

¹⁰⁷ Amino, Yoshihiko (2012) 'The Title of the Emperor and the Name Nihon'. In Amino, Yoshihiko (2012) *Re-thinking Japanese History*. Michigan: University of Michigan Press

¹⁰⁸ Amino, Yoshihiko (2012) 'Bandits, Pirates, Merchants, and Financiers'. In Amino, Yoshihiko (2012) *Re-thinking Japanese History*. Michigan: University of Michigan Press

¹⁰⁹ Crawcour, Sydney. E. (2007) 'Economic Change in the Nineteenth Century'. In Jansen, Marius, B. (ed.) *The Cambridge History of Japan: Vol 5, the Nineteenth Century*. New York: Cambridge University Press (6th ed.)

¹¹⁰ The first eleven Japanese prime ministers would be from Japan's southern regions and it took until 1918, with the Roman Catholic from northern Iwate - Hara Takashi, for the modern Japanese state steered by anyone that had largely not come from the southern Choshu region.

¹¹¹ Norman, Herbert. E. (2000) *Japan's Emergence as a Modern State: Political and Economic Problems of the Meiji Period*. Vancouver, British Columbia: University of British Columbia Press (60th anniversary edition)

So, rather than the reports sent back by the Choshu 5 and Satsuma 15, it was the lectures heard by Japan's first Prime Minister Ito Hirobumi of Lorenz von Stein that set Japan's course. Warning against democracy in the form of party politics and mass involvement, and recommending instead an active role for the state, from royalty downwards in bringing about change, Stein's ideas and later the Prussian Constitution would be taken up as the model for Japan.¹¹² This worldview allowed for the legitimisation of Japan's elite led state-society complex while also allowing for the creation modern politico-economic structures, and permitted techno-industrialisation without the necessity of democratic transformation. Material power was rapidly built up through a combination of Listian infant industry protection and a Schumpeterian prioritisation of technology as the key to economic growth and independence, focused upon a three point agenda - (1) indigenisation (identify and acquire key technology, and import substitution industrialisation), (2) diffusion (distribute technologies and learning throughout the economy), and (3) nurture (support the capacity to growth and innovate).¹¹³ A Polanyian transformation of the social order also took place, as a web of new social concepts became propagated to justify the new order and its priorities.¹¹⁴ New institutions and corporatism emerged in the form of Weberian bureaucracies, a centralised army (based on the British new model army), large corporate combines (*zaibatsu*) and central banks that increasingly relied on capital acquired by British and American investors for the purpose of serving Western plans and Japan's colonial acquisition.¹¹⁵ This short overview of the social forces of production, ideas and institutional development is meant to highlight how from its very start, Japan did not begin from within the liberal world order nor as a liberal state.

4.1.1.2 Collapse of pax Britannia

Built on these shaky foundations, once the world order of pax Britannia collapsed and power shifted towards one of rival imperialism, the cracks in Japan's elite led but skin deep democracy began to widen. Caesarism took hold – a single figure becoming head of the entire nation-state; and corporatism engulfed the state as industrial combine *zaibatsu* and state interests aligned. Japan's competitive capitalism of the liberal world order shifted towards monopoly capitalism and a fascist corporate state form, while the liberal state's trajectory forked away towards welfare nationalism. Just as the Meiji period required a Polanyian socio-political re-construction, so did this new Taisho period Japan gearing up for imperialism and empire. *Fukoku kyōhei* (rich country, strong military), the 'Amau Doctrine' (a replication of the US's own imperial Monroe Doctrine), *dai-tō-a kyōeiken* (Co-Prosperity Sphere) and *hakkō ichiu* (eight corners of the world, one roof) all emerged to re-construct priorities and were policed by an oppressive *naimushō* (home ministry) and the Stazi-esque *kempeitai* (secret police), as the state began to discipline civil society and turn it into a listening post against itself.

Important to bear in mind here is the historical trajectory and nature of Japan's class configuration. Japan's Meiji Restoration had been an elite led insurrection, which installed into the new Japanese state not only a new group of personnel, but also a new set of ideas from the internationally aware southern provinces and the commercially minded 'southern court'. By aligning with the Prussian worldview the Meiji reformers had set Japan along a path outside of the liberal course and within a 'late developer' command state course. As such, Japan's

¹¹² Palasz-Rutkowska, Ewa. (1996) 'The 'Unique' Character of the Emperor - the Main Leaders of Modern Japan'. In Neary, Ian. (ed.) *Leaders and Leadership in Japan*. Surrey: Japan Library (Curzon Press Ltd)

¹¹³ Samuels, Richard. J. (1996) *Rich Nation, Strong Army: National Security and the Technological Transformation of Japan*. Ithaca, NY: Cornell University Press

¹¹⁴ Gluck, Carol. (1985) *Japan's Modern Myths: Ideology in the Late Meiji Period*. Princeton, NJ: Princeton University Press
Social concepts such as *bunmei* (civilisation), *shinpo hattatsu* (progress) and *datsu-a ron* (de-Asianisation); and in the political sphere concepts such as *kokumin* (nation) and *kokka* (state), and later *kazoku kokka* (family state), *kokutai* (national essence), *wagakuni* (our country) and *tennosei* (emperor ideology), together combined into the mythological buffer of a centralised nation-state centred on an aristocratic oligarchy with a figure head imperial emperor.

¹¹⁵ At the turn of the twentieth century, the British government would not lend to Japan, causing cautious US financiers to also decline capital, and France was allied to Russia and so would not lend for Japan's war purposes. The figure in charge of raising foreign capital - Finance Minister Korekiyo Takahashi - turned to private financiers and found it in the form of the German-Jewish but US based Jacob Schiff of Kuhn Loeb and Company, who was distressed at the treatment of Jewish minorities in Russia and put together a US proposal that would also encourage private British finance to join and war loan. See: Metzler, Mark. (2006) *Lever of Empire: The International Gold Standard and the Crisis of Liberalism in Prewar Japan*. Berkeley and Los Angeles, University of California Press

imperialism is best regarded not as an aberration but an inevitability, and the Japanese elite's continued reliance on Prussian later German ideas made Nazi Germany, in addition to Fascist Italy, natural tripartite allies.

4.1.2 World Orders II: Japan and pax Americana

Japan's defeat in WWII led to a new hegemonic class in the form of US occupation authorities that entered Japan by force between 1945-1952. Under General MacArthur and SCAP (Supreme Commander for the Allied Powers) authorities, an attempt was made to completely erase Japanese fascism leading to a series of constraints and features that continue to colour Japan in the world:

- Institutionally, Japan rests upon a US written, and English language first, constitution that possesses the no-war article nine clause. The result for Japan's international relations has necessarily been to circumscribe interactions to the economic and cultural realms rather than the military.
- Ideologically, the US left in place the figurehead of the emperor. Maintained for the purpose of a smooth post-conflict transition, the result has been the maintenance of the emperor as rallying call for political movements. Questions concerning war guilt and hence a wider historical reckoning as to members of the Japanese elite's roles in WWII continue to plague Japan's foreign relations in East Asia.
- Politically, a nominally democratic institutional apparatus was installed but in the context of the Cold War, a CIA funded Liberal Democratic Party (LDP) that outpaced the initial post-WWII popularity of leftist parties led to the so called '1955 system' - a virtual one party state for half a century.¹¹⁶ The result has been a democratic deficit for the Japanese people at home, and the creation of a pan-Pacific US-Japan elite of politicians, bureaucrats, intellectuals and businessmen who have more in common with each other than they do with their constituents.
- Economically, Japan was brought into the Marshall Plan (re-industrialisation) mode of thought and became an ODA recipient, which it in turn became to others, locking them into modes of dependency on foreign capital, technology and market access.
- Diplomatically, the Cold War environment led to a security treaty and alliance with the US - necessary due to the US imposed constitutional constraints on war - that necessitates the peppering of eighty-seven bases around Japan, totaling a land area half the size of Tokyo. The result has been that Japan becomes situated as 'cuckoo in the nest' within East Asia; the representative of US global hegemony.

Again however, historical modes must be recalled and Japan's defeat did not necessarily mean a 'return' to liberalism. The emergence of pax Americana and the US occupations installment of liberal accouterments and military constraints do not change the historical modes that modern Japan had been built on. While under pax Americana the liberal states would evolve into neo-liberal states, Japan's trajectory took it from monopoly/command state into fascist corporate state and in the post-WWII period into neo-mercantilist state, with evolving social forces of production and ideational development that would eventually lead to the proposal of Japan representing (within the Cold War capitalist bloc) a 'third way' of developmentalism and 'developmental state'. This return to 'history as usual' was aided by Cold War security concerns that sapped the steam out of America's reforms in Japan. Instead, within this mode of social relations, a petty bourgeoisie emerged (bureaucrats, politicians and corporations - the 1955 system), that collaborated closely (tripartism), and who regard the state as both supportive of their TNCs (enterprise capitalism) in addition to mediating the effects of the world economy (neo-Keynesianism). In sum, while the US installed liberal structures, underlying them remained the conservative historical modes initiated by the Meiji elite. This tension between the

¹¹⁶ Johnson, Chalmers. (1995) 'The 1955 System and the American Connection: A Bibliographic Introduction'. *Japan Policy Research Institute*, Working Paper No. 11: July 1995. Available at <http://www.jpri.org/publications/workingpapers/wp11.html> (accessed 10.11.2014)

historical structure that underpins Japan’s inherent social forces of production, institutions and ideational framework, and the equivalent components of the counter-balancing pax Americana world order, runs to the heart of many debates and confusions on Japan’s contemporary international relations and role in international society (see below, table C).

Table. C The Japanese State within 20th Century World Orders

| | | 20 th century World Orders | | |
|---------------------------|---------------------|---------------------------------------|-------------------------|-------------------------|
| | | Rival imperialisms | Pax Americana | Post-US hegemony |
| Country/ State form | UK/US | <i>Welfare nationalist</i> | <i>Neo-liberal</i> | <i>Hyper liberal</i> |
| | Japan (and Germany) | <i>Fascist corporate</i> | <i>Neo-mercantilist</i> | <i>State capitalism</i> |

Source: author

4.2 DEBATING JAPAN IN INTERNATIONAL SOCIETY

The above historicism posited that Japan has passed through and continues to exist within a particular, and not liberal, series of historical structures; and that the tension between these Meiji period installed historical structures and the liberal pax Americana world order results in an array of seemingly contradictory behaviours and interpretations of Japan within international society (see below, table D and table E). This section will briefly overview these in relation to Japan’s international relations, following by global political-economy. This is in order to contextualise the approach taken in this study to Japan. The section will end by questioning whether in a potentially developing post Americana hegemonic world order, there are signs that Japan is exhibiting more of a proactive approach and whether it is through the lens of hegemony that this is best witnessed.

4.2.1 The Japanese State and Japan’s International Relations

Some scholars regard Japan as abnormal among states.¹¹⁷ This is due to its pacific, peace state status. This is rooted in Japan’s constitutional prohibition on war in article nine, post-WWII peace and anti-militarist norms rooted in a unique historical memory. In addition to institutional and historical constraints, socially Japan has shifted from the extreme nationalism of WWII to what Michael Billig dubs ‘banal nationalism’,¹¹⁸ or what Brian McVeigh calls ‘peace nationalism’.¹¹⁹ That is, Japan has developed a culture, an anti-war norm, which defines Japan’s uniqueness.¹²⁰ On the opposing side are those that argue that Japan is not inherently pacific and the current nature of Japan’s role in the world is solely due to the US imposed peace constitution. The prevailing view of the LDP, some foreign (US) scholars also maintain that Japan is normal but constrained by not only the constitution but also Japan’s relationship with the US, and by domestic government structures transnationally connected to the US.¹²¹

¹¹⁷ Hook, Glenn. D., Gilson, Julie., Hughes, Christopher. W. & Dobson, Hugo. (2005) *Japan’s International Relations: Politics, Economics and Security*. Routledge: London & New York (2nd ed.)

¹¹⁸ Billig, Michael. (2002) *Banal Nationalism*. London: Sage Publications (3rd ed.). Billig defines this very succinct idea as - the everyday feelings citizens have that are often not noticeable, compared to the easily noted nationalism of flag waving or attendance at international sports competitions.

¹¹⁹ McVeigh, Michael. (2004) *Nationalisms of Japan: Managing and Mystifying Identity*. Maryland: Rowman and Littlefield Publishing

¹²⁰ Berger, Thomas. U. (1993) ‘From Sword to Chrysanthemum: Japan’s Culture of Anti-militarism’. *International Security*, Vol. 17, No. 4, pp119-150

¹²¹ Samuels, Richard, J. (2007) *Securing Japan: Tokyo’s Grand Strategy and the Future of East Asia*. Ithaca, NY: Cornell University Press

Katzenstein, Peter. J. & Okawara, Nobuo (1998) ‘Japan’s National Security: Structures, Norms, and Policies.’ In Brown, Michael, E., Lynn-Jones, Sean. M. & Miller, Steven. E. (eds.) *East Asian Security: An International Security Reader*. Cambridge, Mass: MIT Press

Katzenstein and Okawara state that: “Japan’s security policy is formulated within institutional structures that bias policy strongly against a forceful articulation of military security objectives and accord pride of place instead to a comprehensive definition of security that centers on economic and political dimension of national security”. (p. 273.)

A second debate is rooted in economics rather than security, seeing normality in Japan but normality within a particular view of world order. A pacific state approach posits that, by adopting the notion of ‘comprehensive security’ as a civilian power,¹²² a comprehensive security state,¹²³ even since its 2003 production - a ‘human security’ state.¹²⁴ From this perspective, Japan is a perfectly normal member of an increasingly interdependent liberal international society. In contrast to this first view of Japan’s normality are those that argue that Japan as a mercantilist state, normal by the assertiveness of its international business class. Realists of various persuasions argue that the Japanese state defines its national interest in economic terms but pursues them with the same strategic commitment that others pursue their military security.¹²⁵ While radicals agree with the assumption of a mercantilist state but disagree that it should be admired, and is instead indicative of a Japanese imperialism reborn.¹²⁶

A developing challenge to this overall debate between normal vs. abnormal are scholars who see Japan ‘normalising’. That is, increasingly moving domestic structures in line with a pax Americana neo-liberal world order. Since Prime Minister Nakasone and continued under Koizumi Junichiro and his protégé Abe Shinzo, a pro-American neo-liberal wing of the long dominant Liberal Democratic Party (LDP) have been attempting with mixed success to re-align domestic structures with world order hyper liberalism. This means a strong emphasis on exploiting transnational labour and removing the protections of work at home; stressing individual responsibility and the withdrawal of state welfare except to support corporate necessities; and increased military Keynesianism.¹²⁷ These Japanese elites desire to, as they see it, play more of a ‘custodian of the system’ role and less of a ‘Japan interest only’ role. One approach to this still unclear world order and unclear ability of Japanese elites to re-align Japan in such a way is to understand it as Japan simply being a US puppet. James Petras and Morris Morley proposed the notion of an ‘imperial state system’, one in which imperialism is not projected unilaterally by one actor, but multi-nodally through many sub-ordinate imperial actors.¹²⁸ In relation to Japan, this is concordant with Gavan McCormack’s notion of Japan as ‘client state’ (*zokkoku*).¹²⁹ Japan from this view is not only the US’s East Asian military base but also the transmitter of US hyper liberal capitalist ideology. By contrast, another set of scholars argue that Japan’s current transformations are less caused by international pressure as

¹²² Maull, Hans. (1990) ‘Germany and Japan: The New Civilian Powers’. *Foreign Affairs*, Vol. 69, No.5, pp91-106

¹²³ Akaha, Tsuneo. (1991) ‘Japan’s Comprehensive Security Policy: A New East Asian Environment’. *Asian Survey*, Vol. 31, No. 4, pp324-340

¹²⁴ Edstrom, Bert. (2008) *Japan and the Challenge of Human Security: The Founding of a New Policy 1995-2003*. Institute for Security and Development Policy. Available at http://www.operationspaix.net/DATA/DOCUMENT/4150--v-Japan_and_the_Challenge_of_Human_Security_The_Founding_of_a_New_Policy_1995-2003.pdf (accessed 22.03.2013)

Bert Edstrom argues that among the five Prime Ministers that really brought Human Security from the academic into the policy world (PM Murayama Tomiichi, PM Hashimoto Yutaro, PM Obuchi Keizo, PM Mori Yoshio, and PM Koizumi Junichiro), it was Keizo Obuchi who really put shape to the idea, being inspired by the International Campaign to Ban Landmines.

¹²⁵ Eric Heginbotham and Richard Samuels forward the Mercantile Realist argument that Japanese elites take techno-industrial economic interests as seriously as a national interest defined in military security terms.

See: Heginbotham, Eric. & Samuels, Richard. J. (1998) ‘Mercantile Realism and Japanese Foreign Policy’. *International Security*, Vol. 22, Issue 4, pp171-203

Defensive realists such as Jennifer Lind argue that Japan has built up significant military potential while maintaining the guise of an economics based, restrained actor, allowing others (the US) to assume its more general international responsibilities.

See: Lind, Jennifer. M. (2004) ‘Pacifism or Passing the Buck? Testing Theories of Japanese Security Policy’. *International Security*, Vol. 29, No. 1, pp92-121

While Richard Rosecrance agrees with the notion of national interest being defined in economics terms, but instead argues that Japan should be regarded as the model of economic power or ‘trading state’ that the US should attempt to replicate, rather than compete with. See: Rosecrance, Richard. (1986) *The Rise of the Trading State: Commerce and Conquest in the Modern World*. New York: Basic Books

¹²⁶ Gavan McCormack and Jon Halliday argued in the 1970s that Japan’s ‘co-prosperity sphere’ objectives remain alive and well, and that Japanese designs on an East Asian empire were only temporarily placed on hold.

See: McCormack, Gavan. & Halliday, Jon. (1974) *Japanese Imperialism Today: Co-prosperity in Greater East Asia*. London: Penguin Books. A point echoed by Robert Steven in his analysis of the 1980s yen crisis driven, offshore corporate expansion of Japanese firms, which he described as ‘Japanese Imperialism’. See: Steven, Robert. (1990) *Japan’s New Imperialism*. Great Britain: MacMillan Press Ltd.

¹²⁷ Hook, Glenn D. & Hiroko, Takeda. (2007) ‘“Self-responsibility” and the Nature of the Postwar Japanese State: Risk through the Looking Glass’. *The Journal of Japanese Studies*. Vol. 33, No. 1, pp.93-123

¹²⁸ Petras, James. & Morley, Morris. (1980) ‘The US Imperial State’. *Review*, Vol IV, No. 4, pp171-222

¹²⁹ Gavan McCormack defines a ‘client state’ as: ‘a state that enjoys the formal trappings of Westphalian sovereignty and independence, and is therefore neither a colony nor a puppet state, but which has internalised the requirement to give preference to ‘other’ interests over its own.’ For the definition of client state see: McCormack, Gavan. (2013) ‘Japan’s Client State (Zokkoku) Problem’. *The Asia-Pacific Journal*, Vol 11, Issue 25, No. 2, June 24 2013; for the full thesis see: McCormack, Gavan. (2007) *Client State: Japan in the American Embrace*. New York: Verso

from domestic shifts within Japan and changing international circumstance. As the post-war normative peace consensus finds itself under pressure, a new breed of Japanese political elites has risen to prominence that have outlooks towards international affairs similar to those in the US. Richard Samuels charts the gradual erosion of the Yoshida Doctrine since the 1950s, and argues that this trend has significantly sped up in the post-Cold War period.¹³⁰ Similarly, Glenn Hook also traces the starting point of Japan's re-militarisation as beginning almost immediately upon re-development, but stresses the importance of differentiating between 'militarism' and 'militarisation', with popular constraint within Japan focusing on the first if not also the second.¹³¹ Funabashi Yoichi argues that the starting point of this transformation came with the first Gulf War where Japan's 'chequebook diplomacy' fell short, embarrassing Japanese elites.¹³²

This third debate is where characterizing Japan is best held. In Coxian terms, this can be understood as the attempt by certain segments of the Japanese elite to shift Japan from its traditional path of historic blocs (from mercantile liberal, to fascist corporate, to developmentalist, to state capitalist) towards the more traditionally Western liberal trajectory. They will be unsuccessful. For state transformation to occur a new dominant group needs to emerge that can challenge the prevailing regime in the same way as the Meiji era's southern elites did in the 19th century. This is a much deeper conflict than between political parties, or between politicians, or between policies. It represents the fundamental contradiction outlined above between Japan domestic and Japan within world order. Some scholars regard this as demonstrative of failure on the part of the Japanese establishment. Kent Calder dubs Japan a 'reactive state',¹³³ and argues that Japan is an: "inflexible, autistic state incapable of responding to outside stimuli even under pressure [*gaiatsu*]"¹³⁴. Some are more forgiving, arguing that Japan is a situationally pragmatic 'adaptive state', sometimes reactive and sometimes proactive.¹³⁵ Some argue for seeing a good degree of proactivity, with Japan as a 'defensive state' where national interests can be pursued and *gaiatsu* used to Japan's advantage.¹³⁶ However, these theories are limited to problem solving; they are only taking the world as it is now, often with the assumption that US hegemony is stable. It is not. World hegemony is going to increasingly need to be buffered by regional hegemony, and this is where Japanese power emerges as constructive of a new social order.

¹³⁰ Samuels, Richard. J. (2007) *Securing Japan: Tokyo's Grand Strategy and the Future of East Asia*. Ithaca, NY: Cornell University Press

¹³¹ Hook, Glenn. D. (1996) *Militarisation and Demilitarisation in Contemporary Japan*. London: Routledge

¹³² Funabashi, Yoichi. (1991/1992) 'Japan and the New World Order'. *Foreign Affairs*, Vol. 70, No. 5, pp58-74

¹³³ Defined as: (1) a state that fails to undertake major independent foreign economic policy when it has the power and national incentives to do so and (2) it responds to outside pressure for change albeit erratically, unsystematically, and often incompletely, [and] can thus be distinguished from a pro-active hegemonic and middle-range power such as the United States, France and many other large European states. See: Calder, Kent. (1988) 'Japan's Economic Policy Formulation: Explaining the Reactive State'. *World Politics*, Vol. 40, No. 4, pp517-541

¹³⁴ *ibid*, Calder (1988), p. 519.

¹³⁵ Berger, Thomas. U., Mochizuki, Mike. M. & Tsuchiyama, Jitsuo. (2007) *Japan in International Politics: The Foreign Policies of an Adaptive State*. Boulder: Lynne Rienner

¹³⁶ Pharr, Susan. (1993) 'Japan's Defensive Foreign Policy and the Politics of Burden Sharing'. In Curtis, Gerald. L. (ed.) *Japan's Foreign Policy After the Cold War: Coping with Change*. New York and London: M.E. Sharpe

Table. D The Many Japanese States

| | | | |
|-----------------------|--------------------------------------|------------------------------------|---|
| | <i>military</i> 'ABNORMAL' | <i>economic</i> 'NORMAL' | <i>economic > military</i> 'NORMALISING' |
| PACIFICIST | PEACE STATE | CIVILIAN STATE | CLIENT STATE (*) |
| TRADITIONALIST | CONSTRAINED STATE | MERCANTILE STATE | RE-MILITARISING STATE |

Source: author

(*) It is understood that it may seem out of place to include the notion of Japan as client state along the taxonomy of pacificism. The idea that the Japanese state may be active in behaviour but pacific in the sense of pursuing an agenda through another party's neo-liberal plan (the US), can partly but tentatively justify placing Gavan McCormack's thesis here.

Table. E Characterising Japan's Power and Interests Matrix

| PACIFIC STATE | CIVILIAN POWER | CLIENT STATE |
|--|---|--|
| <i>Power:</i> constitution (article nine), history and war memory, international exemplar | <i>Power:</i> human security norms, multi-lateralism, overseas development assistance, soft power | <i>Power:</i> US proxy, supporter of global hegemony |
| <i>Interests:</i> protect article nine and constitutional revision | <i>Interests:</i> the UN, region institution building | <i>Interests:</i> maintain Okinawan bases, and support budget |
| CONSTRAINED STATE | MERCANTILIST STATE | NORMALISING STATE |
| <i>Power:</i> diplomacy, alliances (especially with the US) | <i>Power:</i> foreign direct investment (FDI), trade, overseas development assistance | <i>Power:</i> multi-spectrum that increasingly incorporates militarised power |
| <i>Interests:</i> maintain the <i>nichibei</i> alliance, re-interpret the meaning of many key constraints so as to follow the 'letter but not the spirit of the law', protect the concept of <i>seikei bunri</i> | <i>Interests:</i> market share, sustain techno-industrial dominance, maintain trade surpluses | <i>Interests:</i> independent defence against rising East Asian security threats, revision of article nine, participate more actively in the international security regime |

Source: author

4.2.2 Japan's Political-Economy: Capitalism in Japan or Japanese Capitalism?

Japanese capitalism is evolving in its own manner, and expanding capitalisms of East Asia model themselves more on the Japanese, in a close relationship of capital to state, than on American or European capitalisms. The future world pattern of economic organisation is not likely to take the form of a single dominant capitalism, but rather of three or more types of substantive economy maneuvering to achieve modus vivendi.

- Cox (1997)¹³⁷

Just as the contradiction between 'Japan domestic' and 'Japan global' led to changes in the way the Japanese state became understood, changes in the world order affect how to interpret Japan's political-economy. Within a historical mode where no hegemon existed, following the breakdown of pax-Britannia, Japanese domestic social forces produced a military dominant group that aligned state interests with corporatism, organised by coercion. This condition of 'statism' was linked to the world order conditions of the time, those of monopoly capitalism and competing imperialism. Post-WWII defeat, the re-establishment of global hegemony under pax Americana, meant the need to shift the three-fold balance of social forces. This did not mean however, the resurgence of liberal economic theory, discredited as it was by both the Great Depression and the success of the early USSR command economy. Of Japan's four major economic schools of thought in the inter-war years – Liberal, Marxist, National Socialist and *Tōsei Keizai Ron* (managed economy) – it was the latter that emerged intact after Japan's defeat.¹³⁸

Corresponding to Cox's second internal path of the liberal state, Japan's corporate fascist statist political-economy was reformed, albeit only partly, until it conformed to a neo-mercantilist/developmentalist mode of production. Reminiscent of a 17th century Colbertian France, analysts grappled with the observation that they knew Japan's political-economy was different but it was difficult to discern precisely why or how. The most famous thesis of this 1950s-1960s period's 'phoenix economy' emerged with Chalmers Johnson's famous MITI thesis.¹³⁹ Chalmers argued that the Japanese state had developed the prerogative to shape and guide the economy of the country, in addition to provide the welfare checking responsibility to manage the risks presented by the global economy. Ikeda Hayato's 'income doubling plan' during his 1960-64 term was indicative of this. Johnson's thesis has spurred a wealth of further analyses that include the examination of differing Japanese political institutions,¹⁴⁰ differing sectors,¹⁴¹ and comparative studies with other East Asian countries,¹⁴² as the thesis came to define not only Japan, but an alternative approach to political-economy: 'developmentalism' and the 'developmental state'.

¹³⁷ Cox, Robert. W. (1997) 'Critical Political-economy'. In Hettne, B. (ed.) *International Political-economy: Understanding Global Disorder*. London: Zed Books, p. 46.

¹³⁸ Sasada, Hironori (2013) *The Evolution of the Japanese Developmental State: Institutions Locked in by Ideas*. Oxon & New York: Routledge Studies in the Modern History of Asia

¹³⁹ Johnson, Chalmers. (1982) *MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925-1975*. California: Stanford University Press
Characterised by strong ties between the 'iron triangle' (government-big business-bureaucracy), through the control of credit, access to information that is only asymmetrically available to a state, and *gyosei shido* (administrative guidance), MITI was able to (1) practice infant industry industrialisation, (2) protect the Japanese market while simultaneously attempting to gain access to foreign markets (3) guide sectorial activity towards both the necessary (transportation and energy) and higher value added business (automobiles, electronics and technology in general), and (4) shape business activity in ways that were beneficial to Japan's development and re-assimilation into international society, rather than only serving the parochial interests of a singular corporate actor.

¹⁴⁰ See: Brown, Robert. J. (1999) *The Ministry of Finance: Bureaucratic Practices and the Transformation of the Japanese Economy*. Westport, CT: Quorum Books

Brown makes the case that the greater emphasis should be on Japan's Ministry of Finance, while Paul Hatcher agrees but goes on to argue that it was the same ministry that almost broke Japan in the 1980s. See: Hatcher, Peter (1998) *The Ministry: How Japan's Most Powerful Institution Endangers World Markets*. Boston, Massachusetts: Harvard Business School Press

¹⁴¹ See: Cerny, Philip. G. (2005) 'Governance, Globalisation and the Japanese financial system: resistance or restructuring?' In Hook, Glenn. D. (ed.) *Contested Governance in Japan: Sites and Issues*. New York: Routledge Curzon; Malcolm, James. D. (2001) *Financial Globalisation and the Opening of the Japanese Economy*. Surrey: Curzon Press

¹⁴² For a comparative analyses of other East Asian economies, particularly the then tiger economies of South Korea, Hong Kong, Singapore and Taiwan, see: Woo-Cummings, Meredith (1999) *The Developmental State*. Ithaca, NY: Cornell University Press, to which Chalmers Johnson is a contributor and provides interesting additional information on what MITI response was to his book.

In contrast to Johnson's MITI thesis runs the 'strategic capitalism' thesis of Kent Calder, addresses his analysis in direct contradistinction to the MITI thesis. Calder points to the relative inefficacy of the Japanese state's ability to successfully manage private economic life.¹⁴³ He argues that the Japanese state has historically been inept at picking winners (e.g.: in the early stages of computer development in the 1960s) and equally inept at spotting losers (investing copious funds into the high risk declining sectors of coal and shipping). Rather than the foresighted and nimble state of Johnson's analysis, Calder sees a state plagued by hesitancy, clientalism and in general, reactivism in the face of significant international change or pressure.¹⁴⁴ He proposes that the so-called 'Japanese miracle' is better explained through the capture by proactive Japanese corporations of the state's agenda, and put into practice through a clientalised hybrid system, a 'clientalised capitalism'. Sakakibara Eisuke, Japan's former 'Mr Yen' finance minister has argued that Japan is rather strange in that it has developed two dual economies: one domestically focused (heavily regulated and in his words 'Socialistic'), and one export-oriented and international focused.¹⁴⁵ Sakakibara also argues that Japan's system is not like America's market capitalism, with the canonical 'iron triangle' indeed being the key to the Japanese joined up system, and the reason for its stagnation.¹⁴⁶

These two approaches to Japan's political-economy are two important variations of, if historicism is properly understood, the same coin. Japan's domestic structures could never be a liberal state of either the pax Britannia sort or the pax Americana sort because the social forces of production have never been aligned like that. Latecomer entry into a pre-order world system meant the need for heavy state involvement in the economy – twice. Again, this is not to suggest anything of a culturally essentialist sort. However, social forces – importantly including the role of norms (rather than culture writ large) – are important. This is the fourth piece of the fourfold matrix puzzle represented below in table F – an un-coordinated state and an un-coordinated economic sector, encapsulated in Karel van Wolferen's 'Japanese power as enigma'.¹⁴⁷ Van Wolferen does not deny the degree of connectivity between bureaucrats and business, or the importance of the state to found in the MITI thesis, but also does not deny Calder's argument that the state is fractured and very often dysfunctional in the face of a slick and sophisticated private sector agenda. However, he adds that there exists the ability for power to operate without a centre, due to people and institutions expectations of what should and should not be done. Brian McVeigh speaks to this argument also, conceptually clarifying the natural rhythms that seem to exist in Japan as being rooted in rationality (the modern Weberian bureaucratic sort) but ritual ('traditional' Japanese culture).¹⁴⁸ These rhythms solidify into what McVeigh calls 'invisible institutions'. This seems proper. It is not assumed in this analysis that Japan is a liberal state of the UK or US variety. Instead it is more appropriate to move forward with an understanding of 'Japanese capitalism' rather than 'capitalism in Japan'; but this Japanese capitalism is in a state of deep crisis.

¹⁴³ Calder, Kent. (1995) *Strategic Capitalism: Private Business and Public Purpose in Japanese Industrial Finance*. Princeton: Princeton University Press.

¹⁴⁴ Calder, Kent. (1988) 'Japanese Foreign Economic Policy Formation: Explaining the Reactive State'. *World Politics*, Vol 40, No. 4, pp. 517-541

¹⁴⁵ Sakakibara, Eisuke. (2001) *Interviewing with PBS: Commanding Heights*. Available online at http://www.pbs.org/wgbh/commandingheights/shared/minutes/int_eisukesakakibara.html (accessed 02.09.2014)

¹⁴⁶ Sakakibara, Eisuke. (1993) *Beyond Capitalism: The Japanese Model Of Market Economics*. Lanham, Maryland: University Press of America

Sakakibara, Eisuke. (2003) *Structural Reform in Japan: Breaking the Iron Triangle*. Washington: Brookings Institute

¹⁴⁷ Wolferen, Karel. V. (1990) *The Enigma of Japanese Power: People and Politics in a Stateless Nation*. New York: First Vintage Books. This is described as 'tentatively' here because Wolferen's argument is quite nuanced, and indeed shares many areas of ground with both the Developmentalist and State Capitalism parts of the above taxonomy.

¹⁴⁸ McVeigh, Brian. J. (1998) *The Nature of the Japanese State: Rationality and Ritual*. London: Routledge

Table. F A Typology of Japan's State-Corporate Political-Economy

| | | | |
|------------------|----------------|------------------------------|-----------------------------|
| | STATE | | |
| CORPORATE | | CO-ORDINATED | UN-COORDINATED |
| | CO-ORDINATED | <i>Statism</i> | <i>Strategic Capitalism</i> |
| | UN-COORDINATED | <i>MITI/Developmentalism</i> | <i>Power As Enigma</i> |

Source: author

4.2.3 Domestic Crisis

In the domestic context, Japan's political-economy is in crisis. Peaking in 2002 at 127.7 million and now on a steady decline, the country has a demographic time bomb. By the turn of the next century Japan's population being only 44.59 million,¹⁴⁹ by 2020, 40 per cent of the population will be over 64;¹⁵⁰ by 2040 half of Japan's municipalities will have lost half of their 20-39 year old women.¹⁵¹ This compounds a labour issue. World Bank data reveals that in 2010, Japan's dependency ratio overtook all other members of the G20, and in 2013 stood at 62 per cent of the non-working population dependent on the working population, of which 41 per cent were those above 65. The enactment of the Labour Dispatch Law (*rōdōsha haken-hō*) in 1986, in line with global neo-liberal norms under Prime Minister Nakasone Yasuhiro, deregulated the labour market for thirteen professions, later gradually increased until by the Koizumi government removed some of the finally excluded categories.¹⁵² This 'hikken problem' forced many into non-regular employment. Japan's much vaunted lifetime employment system now represents only a core 20 per cent according to a thorough analysis by Ono Hiroshi, who also concludes that this system is limited to only those employed by large companies, and who are men; with women being the 'buffers of the Japanese economy'.¹⁵³ Inequality and poverty are rising. One in three women between 20 and 64 years old exist in relative poverty in Japan,¹⁵⁴ and child poverty has been steadily increasing until in 2012, 16 per cent of children in Japan lived below the poverty line.¹⁵⁵

On capital, the picture is no less dramatic. Japanese governments are not concerned with deficits and debt, or with their temporal necessity. Permanent debt, a structural feature of advanced economies since the 1980s, has been spearheaded by Japan through endless rounds of quantitative easing. As of the OECD latest (November 2014) economic forecast, gross public debt stands at 230 per cent of GDP. This is usually justified in terms of the much-vaunted 'Japanese saver'. However World Bank figures reveal that in 1970

¹⁴⁹ National Institute of Population and Social Security Research (2011) *Annual Report*. Available at http://www.ipss.go.jp/pr-ad/e/ipss_english2011.pdf (accessed 20.10.2014)

¹⁵⁰ *ibid.*, National Institute of Population and Social Security Research (2011)

¹⁵¹ Matanle, Peter. (2014) 'Ageing and Depopulation in Japan: Understanding the Consequences for East and Southeast Asia in the 21st Century.' In Dobson, Hugo. (ed.) *East Asia in 2013: A Region in Transition*. White Rose East Asia Centre and Foreign and Commonwealth Office Briefing Papers, Sheffield: White Rose East Asia Centre

¹⁵² For an excellent overview and analysis of welfare and employment in Japan, see: Assmann, Stephanie. & Maslow, Sebastian. (2010) 'Dispatched and Displaced: Rethinking Employment and Welfare Protection in Japan'. *Japan Focus: The Asia-Pacific Journal*, 15-3-10, April 12

¹⁵³ Ono, Hiroshi. (2010) 'Lifetime employment in Japan: Concepts and measurements'. *Journal of The Japanese and International Economies*, Vol. 24, Issue, pp1-27

¹⁵⁴ Mizuho, Aoki. [Online] 'Poverty a growing problem for women'. *Japan Times*, April 19th, 2012. Available at http://www.japantimes.co.jp/news/2012/04/19/national/poverty-a-growing-problem-for-women/#.VFQOX_SUeLF (accessed 08.08.2014)

¹⁵⁵ Japan Times, 'Child poverty rate hits record high; more elderly being looked after by people over 65: survey', July 16th 2014 [Online] http://www.japantimes.co.jp/news/2014/07/16/national/social-issues/child-poverty-rate-hits-record-high-elderly-looked-people-65-survey/#.VFQNF_SUeLE (accessed 02.09.2014)

domestic savings (corporate and household) as a percentage of GDP in Japan were 41 per cent, steadily declining to 18 per cent in 2013. Japan is fourteenth among G20 economies, while China is first. Japanese households at 0.6 per cent in 2014 have the fourth lowest disposable income among the OECD club,¹⁵⁶ and in late 2014 turned negative for the first time since 1955,¹⁵⁷ meaning that Japanese households are now using their savings for daily consumption. These are not only Japan crises but crises and contradictions of the world economy.

Domestic challenges are matched by international changes. Fareed Zakaria characterised the phenomenon of the ‘rise of the rest’.¹⁵⁸ That US predominance is not in decline but that others are rising to positions of power. Most East Asian states have been willing, for now, to modernise, develop and regionalise under the auspices of American military and economic power. China’s Vice Premier Wang Yang marked the new year of 2015 with a message that China would do the same and accept US global leadership.¹⁵⁹ However, this is not the same as accepting Japan’s regional authority. From disputes in the South China Sea to the establishment of an Asian Infrastructure Bank to challenge the Japan dominated ADB, Chinese global vs. regional level outlooks do not seem parallel. South Korean economic power is also increasingly competitive with Japanese.

These crises are keenly understood by Japanese corporate figures interviewed for this study; “Japan is dying”, said one.¹⁶⁰ Many regard their challenge as not only setting up production systems to exploit cheap labour but increasingly to focus on Southeast Asian countries as consumer markets. Regarding their young, sizeable populations that are increasingly less ideologically constrained, Japan’s domestic crises are provoking the need to not only build products abroad, but to sell them abroad as well. This requires a new urgency that is potentially being facilitated by a waning US hegemony, parting the way for a more assertive Japan.

4.2.4 Post-US Hegemony?

These debates intellectually capture, like snapshots in time, Japan’s twists and turns as domestically embedded historical structure clashes with world order expectations. Japan’s global level hegemony was always going to be constrained due to the existence of a post-Depression/WWII world order power arrangement that Japan was on the opposite side of. Since institutions once created generally ‘lock in’ the benefits to those who were the original members; although Japan subsequently joined pax Americana’s international framework, e.g.: the UN, Bretton Woods institutions etc., they have never been *Japan’s* institutions. Far from a passive state, a number of Japan’s international efforts especially since the 1980s reveal a concern with the dominance of this US led liberal world order, and a desire to offer an alternative if not outright challenge it regionally. Moreover, with a question mark over US global hegemony, a question mark also must be raised over Japan’s regional position. This is because Japan’s regional position is caught between a number of contrary positions. On the one hand, Japan’s elected position as long time US ally in East Asia necessitates a constant concern for the attitude of the US. On the other hand the inherently internationalist impulse towards regional leadership that is locked deep within the Meiji modality, pushes for expression. The attempted resolution of this contradiction - contradiction for Cox being the starting point for useful analyses - has been attempted in a number of ways. These attempts to initiate a regional order alternative in East Asia to US dominance can be divided into: first, Asia initiated proposals for alternatives; second, Japanese criticism of the prevailing order; and third, Japanese initiated proposals for alternatives.

¹⁵⁶ OECD (2014) *Economics: Key Tables from OECD*, 7. Household saving rates - forecasts. [Online] http://www.oecd-ilibrary.org/economics/economics-key-tables-from-oecd_2074384x (accessed 12.12.2014)

¹⁵⁷ Saito, Jun. (2015) *The New Era of Negative Household Savings Rate*. Japan Center for Economic Research [Online] <http://www.jcer.or.jp/eng/research/pdf/saito20150105e.pdf> (accessed 12.01.2015)

¹⁵⁸ Zakaria, Fareed. (2011) *The Post-American World: Release 2.0*. New York: W. W. Norton

¹⁵⁹ Sisci, Francesco. (2015) ‘China’s New International Mindset?’ *Gatestone Institute*, January 4th 2015 [Online] <http://www.gatestoneinstitute.org/5004/china-us-leadership> (accessed 12.01.2015)

¹⁶⁰ Interview with interviewee 7

First, in 1991 proposals for a free trade area, the East Asia Economic Group (EAEG), were made by Mahathir bin Mohamad, which intimated an 'Asia for Asians' philosophy that would exclude the US and other Western nations that ASEAN would integrate with through the 1989 Australia proposed Asia-Pacific Economic Cooperation (APEC). Mahatir's proposals were naïve from the outset as Japan's Prime Minister Ohira Masayoshi and Australia's Prime Minister Malcolm Fraser had already founded the 1980 Pacific Economic Cooperation Council (PECC) with wide-ranging support and membership. Japan was never going to leave the Western camp for an Asia only framework, nevertheless it is clear that Japan did seek a greater institutional leadership position for itself within East Asia, albeit with Western and especially US co-involvement. Japan scuppered the EAEG proposal out of concern for its position *vis a vis* the US, and ASEAN+3 took on a similar if diluted function.¹⁶¹ However from 2009 Japan began to build on the ASEAN+3 notion of regionalism and began supporting the 'East Asian Community' trade bloc idea; demonstrating a willingness to look for alternatives to the status quo. Second, Japan did not sit idly by however, and went to work seeking validation for a leadership role in East Asia. Work began to criticise the prevailing multilateral Bretton Woods regime and gain acceptance for Japan's model of development; an endeavour that has yielded slightly greater acceptance from multilateral actors than bilateral ones.¹⁶² In 1991 a confrontation between the World Bank and the Overseas Economic Cooperation Fund (OECF) (now JICA) on the role of the state in markets - the view of the former being that the private sector must be largely left alone and the view of the latter being that markets fail and governments need to actively be involved in them - led to veiled criticism of the World Bank's Washington Consensus's 'golden straitjacket' approach in the 1991 OECF Occasional Paper no. 1.¹⁶³ The desire for validation of a Japanese or developmentalist model went further than criticising the status quo and with the sponsoring of the World Bank's 1993 'The East Asian Miracle Report' gained some, if grudging, multilateral support.¹⁶⁴ However thirdly, it is when Japan attempts to offer more forthright proposals for leadership that they are muted by Japan's *nichbei* partner. Japan's support for South Korea's 1993 proposal of a North East Asian Development Bank (NEADB) had also been rejected by the US,¹⁶⁵ and despite the massive mishandling of the 1997 Asian Financial Crisis; Japan's proposals in the same year for an Asian Monetary Fund were also rejected by the US.¹⁶⁶

First of all, these efforts and more that will be outlined in greater detail in relation to Southeast Asia in the following chapter, demonstrate an assertiveness on the part of Japan that is willing to challenge the prevailing order, if not always successfully. Secondly, it demonstrates the liability regionally that Japan faces by being allied to the US. With alternative regional models beginning to be offered by former or current command state countries from 1996 in the form of the China and Russia joined Shanghai Cooperation Organisation (SCO); financial crises hitting in 1997 and 2007-2008 but constrained by the hand tying behaviour of a US seemingly unsure or unable to willingly reflect on its own position as dominating regional hegemon, Japan has been left neutered and shackled to a sclerotic US colossus while everyday witnessing rising economic powers in its neighbourhood. Within this world order where liberal states have diverged towards what Cox refers to as 'hyper liberalism' and states such as Japan continue along their trajectory towards 'state capitalism', space is potentially opening up for Japan's historical trajectory to find greater manoeuvre room in a world of declining American hegemony. Kent Calder is sceptical. Calder argues that Japan cannot exert hegemony due to its consistent inability to meet Kindleberger's three part definition: making and enforcing rules of

¹⁶¹ Hook, Glenn. D. (2005) 'Japan's Role in Emerging East Asian Governance: Regional and National Implications'. In Hook, Glenn. D. (ed.) *Contested Governance in Japan: Sites and Issues*. Oxon & New York: Routledge Curzon (Sheffield Centre for Japanese Studies/Routledge Curzon Series)

¹⁶² Lipsy, Phillip. Y. (2008) 'Japan's Shifting Role in International Organisations'. In Kohno, Masaru. & Rosenbluth, Frances. (eds.) *Japan and the World: Japan's Contemporary Geopolitical Challenges*. New Haven: Council On East Asian Studies at Yale University

¹⁶³ Edith, Terry. (1995) 'How Asia Got Rich: World Bank vs. Japanese Industrial Policy.' *JPRI Working Paper*, No. 10: June [Online] <http://www.jpri.org/publications/workingpapers/wp10.html> (accessed 24.12.2014); Wade, Robert. (1996) 'Japan, the World Bank and the Art of Paradigm Maintenance: The East Asian Miracle in Political Perspective'. *New Left Review*, No. 217, pp. 3-36

¹⁶⁴ *ibid*, Hook *et al* (2005)

¹⁶⁵ Calder, Kent. and Ye, Min. (2010) *The Making of Northeast Asia*. Stanford, California: Stanford University Press

¹⁶⁶ Lipsy, Phillip. Y. (2003) 'Japan's Asian Monetary Fund Proposal'. *Stanford Journal of East Asian Affairs*, Vol. 3, No. 1 (Spring). Available online: <http://web.stanford.edu/group/sjeaa/journal3/japan3.pdf> (accessed 24.12.2014)

an economic system, providing a key currency, and being an open market of last resort.¹⁶⁷ However, this is because of limitations imposed (or self-imposed) rather than due to any inherent desire.

In a pax-Americana world order, Japan has found a solution to its confusing dilemma and is beginning to sculpt an alternative that allows for a leadership role but in a politically neutral and US global leadership respecting way - sub-regionalism, the focus of this research. By operating a 'micro hegemony' at the sub-regional level, Japan is able to utilise its material, ideational and institutional influence to work within a post-Americana world order. The next section will detail some of the ways that Japan's particular state-society complex expresses itself in power terms; where the intersections are between material, institutional and ideational power lie; and hopefully highlight why even though Japan operates within a 'global' context (working with the UN, WB or US and European politico-economic actors), the way Japan does business is often at odds with expectations generated by those global partners.

4.3 GLOBAL POLITICAL-ECONOMY, HEGEMONY, AND JAPAN

This section will detail a number of important assumptions as to how Japan's political-economy operates within international society; and features mechanisms by which material power, institutional power and ideational power are inter-dependently utilised to enhance Japanese hegemony.

4.3.1 Material Power

The material capabilities that Japan is able to unleash into the world are huge. In relation to the key pins of the classic *san mi ittai* triumvirate (three crowns one body, or in economic terms - FDI, ODA and trade) in FDI terms outside of Europe and America, Japanese companies are the largest sources of global foreign investment. Among OECD and BRIC countries combined, yearly outflows rank at sixth with an average of \$50 billion per year (see table 4.1). Accumulated FDI since the end of the Cold War ranks seventh at almost \$11 trillion (see table 4.2). This places Japan's productive power far in advance of its Northeast Asian neighbours - yearly averages are nearly three times more than China's \$18 billion and nearly five times South Korea's \$10 billion; accumulated FDI (1990-2013) is five times China's \$2 trillion and nine times South Korea's \$1.2 trillion.¹⁶⁸ Of the top two thousand global transnational corporations (TNCs), Japanese TNCs rank second by number of companies, sales and assets, (see table 4.3). Of these, it should come as little surprise that the auto sector ranks highest by market share (see table 4.4), with Toyota Corporation representing more by market share than the bottom 95 of the 251 Japanese global TNCs combined.

In terms of ODA, steadily rising during the 1970s, steeply increasing during the 1980s and peaking before an erratic decline in 1995, in the latest year available Japan's bilateral and multilateral ODA disbursements amounted to \$11.8 billion (2013), and between 1960-2013 total disbursements amount to \$324 billion (see table 4.5). Japan became the world's largest provider of ODA in 1989, and remained so until 2001 when domestic budget cuts began to decrease the state ODA budget; and is marked by a number of key features that differentiates it from other country's aid provision.¹⁶⁹

In terms of trade, Japan sits atop an enormous skew in the global trade regime. Referring to fig 4.1 and fig 4.2 it is possible to see the degree to which this is the case. Total trade in goods

¹⁶⁷ For the original prediction see: Calder, Kent. E. (1988) 'Halfway to Hegemony?: Japan in a Changing Global Economic Order'. *Harvard International Review*, Vol. 10, No. 4, pp. 12-16. For the re-analysis see: Calder, Kent. E. (2005) 'Halfway to Hegemony: Japan's Tortured Trajectory'. *Harvard International Review*, Vol. 27, No. 3, pp46-49

¹⁶⁸ Note: dollars are US dollars throughout

¹⁶⁹ Kawai Masahiro and Kawai Takagi detail seven salient features of Japanese ODA that are also corroborated in the extant literature: (1) a high proportion of loans, (2) the dominance of untied aid, (3) a large share of ODA to Asia, (4) request-based assistance, (5) the dominance of hard infrastructure assistance, (6) the dominance of government-led ODA, and (7) a preference for a bilateral approach based on a hesitation regarding partnerships.

See: Kawai, Masahiro. & Kawai, Takagi. (2001) *Japan's Official Development Assistance: Recent Issues And Future Directions*. World Bank [Online] <http://elibrary.worldbank.org/doi/pdf/10.1596/1813-9450-2722> (accessed 05.10.2014)

between 1990 and 2013 places Japan's balance of trade the second highest, behind Germany; and if non-OECD member China were included this would put Japan in third place. This is the polar opposite of the US, UK and the G7 in general which are in negative terms of trade. The situation is the exact opposite for services as the US, UK and G7 enjoy large trade surpluses, while Japan and Germany (and again China if included) reside in large service deficits. Trade is of course political, and the indicators are surpluses and deficits. The political element enters when responses to concerns over surpluses or deficits are considered. The US and to a lesser extent the EU, regularly complain about Japan's long held trade surpluses. ASEAN complains also, however they do not get heeded as intently, as asymmetries of power are so crucial; as is the useful role ASEAN plays for Japan in off-setting those trade imbalances with the US and EU.¹⁷⁰

What is different in terms of Japan's material power and how other countries operate their economic resources is how strategic and long term it is. Japan's material power is driven by the fact that, in Hatch and Yamamura's words: "global strategies, not cost considerations, are driving Japan to regionalise its economy".¹⁷¹ They conclude that rather than Japan being the end destination for East Asian regional trade, Japan is in fact utilising East Asia particularly South East Asia, as its workshop in order to meet its traditional global strategy of exporting to the US and Europe. An 'Embraced Asia' allows for the adjustment of production within the network, reducing the trade surplus by adjusting export sites at times of political tension. Hasegawa Keitaro argues that Japan's regionalisation efforts are better referred to as 'cormorant fishing', i.e.: the Japanese state and dependent companies provide the means (capital and technology) in order for other nations to develop just enough to then export for Japan's overall benefit.¹⁷² These are appropriate approaches, as Japan uses its material to incentivise towards some ideational and institutional pathways and not others.

4.3.1.1 Direct Influence

Aside from the obvious asymmetric influence gleaned from such material advantage, one direct form of relational influence is Japan's ability to engage with a widely engaged in economic practice in other parts of the world - corruption. Corruption within the 'iron triangle' has been a consistent part of Japan's post-WWII political system.¹⁷³ Kobayashi Masaya notes that clientalism is strong in Japan (the so-called *zoku* or 'tribal' political system) and argues that this is because, despite possessing a modern legal system, Japan has been unable to develop an effective modern bureaucracy (historically linked in the West to military competitiveness), and which remains rooted in a form of neo-feudalism that is shared between both Japan and many developing countries.¹⁷⁴

This clientalism at home allows Japanese business officials abroad to operate comfortably in foreign clientalist systems, a particularly prevalent feature of Southeast Asian politico-economic life and the Japanese state has aided their national corporations by engaging in a 're-interpretation exercise' in order to muddy the water of international concerns. It is illegal to bribe Japanese public officials (article 197 of Japan's penal code) in addition to 'deemed public officials' e.g.: ex-SOE, now privatised employees, such as Japan Rail (JR). In terms of paying bribes to non-Japanese, the situation becomes murkier. Japan aligned its domestic legislation (the Unfair Competition Prevention Law) with the OECD Anti-Bribery Convention (1998), which criminalises Japanese nationals for bribing foreign public officials. However METI,

¹⁷⁰ Sing, Hua. L. (1999) *Japan's Role in Asia*. Singapore: Times Higher Education Press (2nd ed.)

¹⁷¹ Hatch, Walter. and Yamamura, Kozo. (1999) *Asia in Japan's Embrace: Building a Regional Production Alliance*. Cambridge: Cambridge University Press (2nd ed.), p. 28.

¹⁷² *ibid*, quoted in Hatch and Yamamura (1999)

¹⁷³ Examples include the 1914 Siemens & Vickers bribery scandal; the 1950s-1970s Lockheed bribery scandal (1950s-1970s); the 1988 Recruit insider trading scandal (1988); the 1996 Daiwa Bank fraud scandal; the 2013 Mizuho Bank Yakuza scandal; and current 2014 photographs of Tanaka Hidetoshi (vice chairman of Japan's Olympic Committee) and Shinobu Tsukasa (head of the Yamaguchi-gumi yakuza group) socializing. A full overview and analysis can be found here: Johnson, David. T. (1997) 'Why the Wicked Sleep: The Prosecution of Political Corruption in Postwar Japan'. *JPRI Working Paper No. 34: June* [Online] <http://www.jpri.org/publications/workingpapers/wp34.html> (accessed 10.12.2014)

¹⁷⁴ Kobayashi, Masaya. (2006) 'Political Clientalism and Corruption: Neo-structuralism and Republicanism'. In Kawata, Junichi (ed.) *Comparing Political Corruption and Clientalism*. Hampshire (UK) and Burlington (US): Ashgate Publishing Company

which administers the Unfair Competition Prevention Law, has interpreted the OECD guidelines in terms of their own internal guidelines that do not punish 'small facilitation payments'.¹⁷⁵ An OECD anti-corruption working group has, repeatedly criticised this, and the lack of prosecutions made.¹⁷⁶ In addition, in terms of bribing commercial officials, there is no corporate liability for commercial bribery under Japan's 'Companies Act'.¹⁷⁷ This is much noted to the chagrin of the US and UK elites interviewed for this study, who very quickly comment on the much stricter regulations their companies have to face from their domestic regulatory frameworks.

4.3.1.2 Indirect influence

In addition to relational advantage, Japan's material power also affords it the structural channel influence to alter the way overall rules work. Pat Choate's famous *Agents of Influence* thesis argued that in the 1980s Japanese lobbyists were writing US foreign policy.¹⁷⁸ Given the economic parity of the US and Japan, these practices if true were no doubt possible at the time. The bursting of Japan's asset bubble has once more introduced a degree of disparity into the Japan-US power balance, however where the disparity is in Japan's favour is in Southeast Asia. Toyota's huge importance to the Thai economy has allowed them in the past, through combined political negotiation, to receive a special tariff for a specific engine unique to their cars.¹⁷⁹ Tariff rates, corporate tax moratoriums, import/export exemptions, are all measures that can be used to manage a country's trade and due to both Japanese companies size and their ability to co-operate well with Japanese state ministry and diplomatic officials, Japan is able to exert great direct influence over how another set of rules - the terms of trade - are agreed.

A relatively new development has been the growth since 2002 of bilateral free trade deals or EPAs (Economic Partnership Agreements). As of 2015, Japan has negotiated fourteen to completion and has eight pending. The asymmetry of power at the heart of the free trade regime is laid bare here, as EPA's are clearly unnecessary - Japan does not have a free trade deal with the US and efforts for the two economies to come together in the trans pacific partnership (TPP) have met with constant frustration. Japan's fourteen EPAs largely exist in Southeast Asia, and are being driven by similar initiatives by the Chinese government. Since EPAs allow more scope for individual countries to negotiate trade terms specific to them, among other things, Japan is able to write specific provisions into EPA's. If Japan's EPA's are compared to other country's EPAs one fact is immediately observable - Japan's are much longer. The size is the result of the creation of what is usually referred to as 'the Committee'. This is a special provision that allows for the creation of a cross-country panel to be setup between host nation, Japan embassy and Japan's corporate figures, that decides on the inclusion or exclusion of products within very large appendices of tariff lines. While the overall agreement will stress a series of obligations for the host state - a level corporate playing field, protections against seizure, etc., 'the Committee' creates a mechanism by which Japan can opt out of certain of its obligations.

A final structural advantage Japan possesses is the ability for the Japanese state, or rather Japan's central bank, to be willing and able to engage in quantitative easing (a concept and term that emerged from Japan),¹⁸⁰ and devalue the yen thereby addressing issues of competitiveness.

¹⁷⁵ Yoshida, Daisuke. & Park, Junyeon. (2014) 'Japan'. In Pickworth, Jonathan & Williams, Deborah (eds.) *Bribery & Corruption* Global Legal Insights: Global Legal Group (2nd ed.)

¹⁷⁶ OECD [Online] *Statement of OECD on Japan's Efforts to Increase Foreign Bribery Enforcement*, June 12th 2014. Available at <http://www.oecd.org/corruption/statement-of-oecd-on-japan-efforts-to-increase-foreign-bribery-enforcement.htm> (accessed 12.12.2014)

As part of the OECD Japanese corporations operating internationally are obligated to follow the 'OECD Guidelines for Multinational Enterprises', however these are simply interpreted as recommendations rather than binding terms with legal recourse available.

¹⁷⁷ *ibid.*, Yoshida & Park (2014)

¹⁷⁸ Choate, Pat. (1990) *Agents of Influence: How Japan's Lobbyists in the United States Manipulate America's Political and Economic System*. New York: Touchstone

¹⁷⁹ Interview with interviewee 37

¹⁸⁰ Like many modern financial developments, this monetary policy originated in Japan as a solution to the property bubble bursting. However this particular policy, ironically enough, originated from a German born Professor Richard Werner, who was living in Tokyo at the time of the bubble bursting. Originating in a newspaper article written by Prof. Werner, which then became Japan's

This involves a nation-state's central bank creating capital, buying large quantities of government bonds (usually from commercial banks), in a cyclical fund sharing between political and financial elites and their institutions. The result has been, a large and rapid increase in the money supply in addition to government debt. This has led to an increased role for activist governments and the provision of cheap or free credit to banks and corporations. Japan's manipulation of the yen during the post-war period, permitted by a tolerant US until the mid-1980s and the forced market revaluation with the Plaza Accords, is currently being attempted again. The risk to create a 'currency war' favours the already powerful, as opposed to emerging market actors, allowing states to steal or maintain trade advantages over other states, and currency wars can lead to trade wars, which historically have led to actual wars.¹⁸¹ China, South Africa, Brazil in 2012, and later even Germany in 2013 warned the West, China, and Japan about engaging in 'currency wars'. Brazilian Finance Minister Guido Mantega openly criticised the West from 2010 for its QE policies as an attempt to devalue their currencies and make them more competitive by increasing the money supply.¹⁸² In 2012 Germany's central bank president Jens Weidmann criticised Japan's decision to expand its new QE program, intended to maintain Japanese competitiveness in the EU market.¹⁸³ In June 2013, the US auto industry and members of the US congress protested Japan's inclusion in the TPP due to the non-tariff barrier that is the currency manipulation embarked upon by Prime Minister Abe.¹⁸⁴ This push back is possible within global elite economies is possible but in a battle of 'whose printing press is bigger', developing states will inevitably lose. While released Wikileaks cables reveal that the protracted and multiple drafts in negotiations between Japan and the US towards the trans pacific partnership (TPP) are stumbled by a high degree of protectionism on both sides,¹⁸⁵ Japan's EPAs with developing countries are often very rapidly brought to a close.

4.3.2 Institutional Power

4.3.2.1 Exogenous Relational Influence

As a member of the 'top table' of G8 economies, Japan is able to generate consent more easily than others through exogenous institutional channels. This means access to top tier institutional thinking and decision-making, such as Stephen Gill has demonstrated in the Japan joined Trilateral Commission.¹⁸⁶ Japan's membership of the full spectrum of global institutions hands down to Japan legitimacy that other countries, for example China, cannot garner by acting unilaterally. An important question emerges as to whether Japan is in fact supporting multilateralism or using multilateralism for bilateral ends - is Japan the progenitor of global institutional power or the utiliser of it? Hook addresses this by questioning the degree to which in the post-Cold War period Japan began taking greater advantage of multilateralism, or whether it remains continually constrained by Cold War norms of bilateralism and is simply using multilateralism to supplement bilateralism.¹⁸⁷ The answer in this thesis is in support of the latter; that multilateralism is a hegemonic device used by Japan in the pursuit of ultimately bilateral interests.

There is historical precedent for this behaviour. When Japan entered Indochina during WWII, Japan's approach was not to challenge France domination but to accept a subordinate role while

central bank policy, Prof. Werner was then asked to translate an English word for what the Japanese central bank was doing. He translated the Japanese characters 'ryou' (quantity) 'teki' (objective) 'kin' (gold) 'yuu' (melt) 'kan' (ease) 'wa' (harmony/Japanese style), *ryou-teki-kin-yu-kan-wa*, into 'quantitative easing'. This strained, literally translated, name became the new monetary policy descriptor of the Japanese government's, and then most developed governments, monetary policy

¹⁸¹ Rickards, James. (2011) *Currency Wars: The Making of the Next Global Crisis*. New York, USA: Portfolio Books

¹⁸² Financial Times, 'Brazil in 'currency war' alert', 27th September, 2010. Available at <http://www.ft.com/cms/s/0/33ff9624-ca48-11df-a860-00144feab49a.html> (accessed 02.02.2014)

¹⁸³ CNN Money, 'Japan spurs talk of currency war', January 24th 2013. Available at <http://money.cnn.com/2013/01/23/investing/japan-currency-war/> (accessed 02.02.2014)

¹⁸⁴ Solis, Mireya [Online] *A Currency Clause in the Trans-Pacific Partnership is Unworkable, Unsuitable, and Counterproductive*. Brookings.edu, July 8th 2013. Available at <http://www.brookings.edu/research/opinions/2013/07/08-tpp-currency-clause-solis> (accessed 10.01.2015)

¹⁸⁵ Wikileaks [Online] *Secret Trans-Pacific Partnership Agreement (TPP) - IP Chapter*. 13th November 2013. Available at <https://wikileaks.org/tpp/> (accessed 10.01.2015)

¹⁸⁶ Gill, Stephen. (1990) *American Hegemony and the Trilateral Commission*. Cambridge: Cambridge University Press

¹⁸⁷ Hook, Glenn. D. (1998) *Japan and the ASEAN Regional Forum: Bilateralism, Multilateralism Or Supplementalism?* DIJ Tokyo Forum. Available at http://www.dijtokyo.org/doc/dij-jb_10-hook.pdf (accessed 09.04.2014)

at the same time working in an opposite direction. Once French strength was sapped and undermined, the Japanese military snatched power and the Indochina agenda. There is a Japanese expression for this - *yoraba taijyu no kage* (a good tree is a good shelter). Similar to the historical institutional organisation of power in Japan, whereby the emperor remains as figurehead and the shogun as *de facto* but not *de jure* power holder, it denotes the importance of, with the threat of figurative typhoons (external trouble) ever present, hiding behind a large 'tree' (a protective agent from a relationship) is the best strategy. The 'tree' can then be blamed if anything goes wrong. This strategy works across a number of domains. At the international level, Japanese actors seek relationships with Western or multilateral institutions. For example, an Japanese energy company will seek to co-invest in a project with US investors; a Japanese aid funded social program wishes to exist in close proximity to UNICEF or the WHO; for state based capital, especially poverty related issues, then close proximity of operations are sought with the World Bank or the ADB. Strategic relations are also sought within nation-states being operated within. Ever conscious of criticism, Japanese state actors are keen to embed projects in 'partnerships' with national governments. 'Partnerships' means that the national government performs sensitive functions, e.g.: land clearances, that Japanese actors cannot be seen to do. The figurative tree comes into effect as Japanese actors are able to claim that key functions are 'the responsibility of the host country', absolving them from potential embarrassment.

4.3.2.2 Exogenous Structural Influence

Alternate exogenous influence is the ability to affect whole institutions, and this is where Japan's crucial connection with the ADB becomes pertinent. Considered properly, and unlike global level institutions such as the UN, the ADB represents regional multilateralism and organic intellectual writ large. The question here becomes whether Japan utilises the ADB as the figurative tree, or whether Japan is able to actively manipulate this organic intellectual for bilateral benefit. The affirmation here is towards the latter - the ADB is an organic intellectual representative of, not completely, but Japanese (and US) interests. Rather than the liberal notion of institutions as neutral sites of rational exchange between self-interested states ready to compromise, the ADB provides for the Japanese state, an extra level of capabilities that the Japanese state would find difficult to perform. Just as at the national level, a single Japanese company requires the Japanese to work with the host country to gain greater leverage over the country as a whole, for example that a road project does not emerge in isolation and is instead part of a road *network* objective; the Japanese state benefits from the ADB's ability to promote transnational and region-wide objectives which cross borders so that for example, a single country road network then connects into a sub-regional and regional road *plan*.

Established in 1966 as an East Asian replication of the World Bank and given a humanitarian remit, voting powers for its members are based on financial contributions. At 12.7 per cent each, this gives Japan and the US the largest voting shares. The Bank's upper staffing echelons are populated largely by Japanese members, and these members have a rotating door to Japan's Ministry of Finance - the current governor of the Bank of Japan, Kuroda Haruhiko, was formerly head of the ADB between 2005-2013. Stephen Krasner as early as 1981 noted how regional development banks in East Asia, Latin America, and Africa were dominated by key global powers, and in the ADB's case this was notably in line with Japan's economic interests.¹⁸⁸ More recent statistical analyses by Christopher Kilby have confirmed this, concluding that ADB lending correlates closely with Japan's ODA and trade objectives,¹⁸⁹ and that ADB lending/voting patterns informally reflect US, Japan and G7 geopolitical concerns as expressed through UN voting patterns.¹⁹⁰ This ability to convert material power into wider influence through institutions (and the ideational power they produce) has not been missed by China that, in 2014, helped to establish the New Development Bank (NDB) or 'BRIC Bank', in addition to the Asian Infrastructure Investment Bank (AIIB) and the Silk Road Fund. These

¹⁸⁸ Krasner, Stephen. D. (1981) 'Power Structures and Regional Development Banks.' *International Organisation*, Vol. 35, Issue 02, pp303-328

¹⁸⁹ Kilby, Christopher. (2006) 'Donor influence in multilateral development banks: The Case of the Asian Development Bank.' *The Review of International Organisations*, Vol. 01, Issue 2, pp173-195

¹⁹⁰ Kilby, Christopher. (2011) 'Informal influence in the Asian Development Bank.' *The Review of International Organisations*, Vol. 06, Issue 3-4, pp223-257

initiatives are clear signals that with China's rise in material power is going to also come a wholesale challenge to an established Japanese (and US) regional hegemony, by spilling over capital into bricks and mortar and norm generation. Japan's refusal to join this bank along with the US but unlike a vast majority of countries that signed into the AIIB especially, demonstrates the degree of isolation that Japanese elites are willing to accept rather than operate truly multilaterally.

4.3.2.3 Endogenous Relational Influence

Japan's hegemony means not only exogenously propagating a particular world order, but also working from within host states to adjust their alignment towards those world orders. This means the establishment of transnational elite ties that can be exploited to affect change from the inside, and is where Japan's true influence lies. There are three sites where this may operate: (1) state official to state official relations, (2) lobbying through business councils, and (3) intra ministry embedment and embassy co-ordination. The first two are standard forms of politico-economic interaction, however the third is less commonly focused on but where consent generation really takes place and it is through economic power that this link is best established. Japan's position as largest aid donor to many East Asian countries provides a multi-channel economic input into the host country's state. ODA is not one thing, being comprised of technical assistance, grants, and ODA. Too often analyses focus only on the quantitative aspect of aid whereas it is the qualitative aspects that reveal hegemony in operation, i.e.: how it is organised and how it is practiced. The goal is for Japan to use aid in such a way that as many of Japan's objectives are met while at the same time making it appear as though everything was the host state's decision.

Explained in detail in appendix 4.1, first an 'ODA escalator' is implicitly established. Beginning with technical assistance - experts to survey topographies, business sectors, legal reforms etc., these donor provided experts and their knowledge structures, rather than encouraging 'self help' (the avowed normative goal of Japanese aid) often push a particular self-interested agenda.¹⁹¹ This agenda is often reflective of inter-ministry competition in Japan itself, as each ministry attempts to send technical advisers to create projects that actors linked to their ministries can then fulfill, preventing the ministry's budget from being reduced.¹⁹² Organic intellectuals from the outside are then complemented by organic intellectual development from the inside, with scholarships and training programs for foreign nationals intended to push along a process that Cox refers to as 'transformismo' or, the development of pliant transnational organic intellectuals.¹⁹³ Once intelligence has been gleaned and 'heart to heart understanding' between transnational elites has been gained, the capital will begin to flow. The aid will flow towards plans, personnel and institutions that have been identified in the previous step, and there is a desire to scale up this capital as fast as possible from grants to loans, in order to leverage gains made. Multilateral OECD rules exist that limit Japan in this regard such as lending to HIPC (heavily indebted and poor countries). This is why every incentive exists to push the recipient up into higher income World Bank categories, and why host countries often have targets such as 'becoming a middle income country by...'. If successful, this ODA escalator may lead to as with Thailand, the host country becoming an 'aid partner'. That is, where independent lending takes place in co-ordination with Japan.

From organisation to practice, where consent generation is in active operation. According to David Arase, Japan's aid is underpinned by a tension between the international and the domestic, resulting in five thematic drivers: self-interested aid vs. humanitarian aid; four ministry '*yonshochō*' competition; strategic aid (the use of aid to strategic objectives; corruption, centred on the 'iron triangle' of the Japanese establishment; and bilateral vs. multilateral norm convergence. At the penultimate expression of this tension is Japan's so called 'request based'

¹⁹¹ Morrison, Kevin. (2005) 'The World Bank, Japan and Aid Effectiveness'. In Arase, David (ed.) *Japan's Foreign Aid: Old Continuities and New Directions*. Oxon and New York: Routledge (Contemporary Japan Series)

¹⁹² Interview with interviewee 1

¹⁹³ Cox, Robert. W. (1993) 'Gramsci, hegemony and international relations', In Gill, Stephen (ed.) *Gramsci, Historical Materialism and International Relations*, Cambridge: Cambridge University Press

aid system – meaning ostensibly that Japan does not act unless the recipient state has requested it. This is largely a fiction, and as David Arase has argued, these ‘requests’ often have to be inserted by Japanese corporations or associations that are then relayed back to the Japanese government.¹⁹⁴ A summary of this two-stage practice is summarised in appendix 4.2 and appendix 4.3. This first stage in the need creation process through the use of *anken keisei* (project creation) and *anken kibō chōsa* (project request research), followed by the formulation and writing of requests, by Japanese officials embedded *within* the recipient state’s ministries or otherwise close by in a next-door building.¹⁹⁵ Through ODA Japan can literally buy a seat within the host state’s institutions. These officials, along with trusted consultants (e.g.: two of the biggest are Nippon Koei or Nikken Sekkei), help to formerly make requests to Tokyo, which then in a rubber-stamping exercise links Japanese companies to pre- matched projects.¹⁹⁶ When it comes to project delivery, while host states would clearly prefer not to use expensive Japanese companies, capital can either be tied or, in the case of loans which are often not permitted to be tied by the OECD, be informally pre-linked to companies through ‘pre-qualification’. That is, the recipient state with the help of Japanese officials within host state ministries will write into project proposals specific stipulations that only particular Japanese companies can meet. In these ways, Japan is able to use its primary lever of influence - ODA - to affect apparently consent and change from the inside. In addition, local peoples affected by these projects have a difficult time trying to convince JICA to use its own complaints procedure; with the result being JICA’s utilization of ‘it is the host government’s responsibility’ and leaving that host government to intimidate the affected local people.¹⁹⁷

4.3.2.3 Endogenous Structural Influence

Endogenous relational links with host elites often allow Japan to negotiate structural level advantages that facilitate the movement of greater flow of private sector activity. These manifest in three forms - SEZs and Industrial Parks, business towers, and Japan Towns. Similarly Japanese exporters and importers coalesce in special economic zones (SEZs) and industrial parks, often built by and for Japanese companies, that are negotiated state to state with the Japanese government to give them preferential geographic positions (central to cities), preferential infrastructure positions (close to transport links) and host country state support with labour and industrial action issues. These SEZs and industrial parks often hierarchically have greater or lesser benefits, e.g.: independent power sources, proximity to housing for staff, differing levels of political connections. Through the endogenous institutional links made with host state personal Japanese companies can offer benefit from the higher tier sites of production.¹⁹⁸ A current JICA policy is the encouragement of more small and medium size enterprises (SMEs) to leave Japan and venture abroad. With these SEZs and parks in place, Japan’s SMEs can be offered an easier route to foreign expansion. Furthermore, in these SEZs is located ‘one-stop cooperation centres’. Through on-site ‘co-operation centres’, local nationals are employed to help the populating Japanese companies with translation, negotiations with government officials and, the handling of bribes.¹⁹⁹ Japanese companies are again able to again benefit from the divorced of responsibility claim, ‘it is the host country’s responsibility’.

Organisational behaviour relying on the principle of *kūki o yomu* (reading the air) becomes difficult if not all parties exist within the same situational milieu, and so visiting a Japanese company outside of Japan often means the visiting of a business tower. Business towers have often been licensed in particular locations (near to host nation government or other Japanese

¹⁹⁴ Arase, David. (1995) *Buying Power: The Political-economy of Japan’s Foreign Aid*. Boulder, Colorado: Lynne Rienner

¹⁹⁵ Interview with interviewee 11

¹⁹⁶ Interview with interviewee 5

¹⁹⁷ Interview with interviewee 38

¹⁹⁸ For example in Vietnam, there are three strata of parks, presented here in order of preference by Japanese companies: (1) Japan funded parks, (2) Vietnam Prime Minister approved parks, and (3) Ministry of Industry and Trade parks (the Prime Minister and the MoIT can make separate decisions but not on the same size of park). MoIT parks are smaller, often have fewer facilities, and are often crowded due to local producers wanting to gain EPE (export processing enterprise) status just to receive the tax advantages. Prime Minister approved parks have better facilities, such as utility supplies, and maybe but not always, a working political relationship with the local council. However the premier choice is a Japan funded park because, due to the large investment of Japanese capital, there is a much higher likelihood of having political engagement with the Japanese embassy and Vietnamese politicians. This is useful when, for example, labour disputes occur, and these strings can be pulled to get the problem fixed.

¹⁹⁹ Interview with interviewee 14

business towers), and there is often a high degree of sectorial similarity between the Japanese companies that populate the building. This gives those Japanese companies a better *kūki o yomu* ability as they are able to operate in the same building as other companies, picking up signals and market information, and better able to work in collaboration.

Finally, endogenous influence is gained from the humble *nihon machi* or Japan Towns. Differing from their Chinese competitors who often go overseas on short-term placements and worry about potentially dying and being buried in foreign lands, Japan's corporations often enforce long-term foreign placements on their employees. Japan Towns offer a structurally endogenous advantage to Japan's economic power as they support the Japanese salary man's personal wellbeing and family well being, thereby enabling longer-term commitments to the host country. The furthest developed of this trend is in Thailand, the second largest Southeast Asian Japanese expat community.²⁰⁰ Japan Towns are often less than spontaneous to develop, instead being the result of planning by corporate and political elites, in collaboration with the host country, and the sites are often chosen for social or political advantage.

4.3.3 Ideational Power

4.3.3.1 Regionally Oriented Ideas

The canonical description of Japan's role in regional integration is Akamatsu Kaname's 'flying geese' model of regional integration that centres on Japan.²⁰¹ This posits that Asia is structured as if a gaggle of V-shaped geese, with Japan in the lead, followed by Asia's newly industrializing countries (NICs), followed by ASEAN, etc. As Japan develops by becoming more and more technologically proficient, it pulls the rest of Asia along with it by diffusing technologies that it no longer has a competitive advantage in. Those at a lesser position learn the new technologies; they in turn pass them on to those below, hence helping everyone in the chain to develop. Japan absorbs Asia's exports from these now industrialised economies, and all catch up to move from a V-shape to a horizontal line of equality where a new division of labour is created; one of intra-regional, intra-industry, intra-corporate sharing. Kiyoshi Kojima has argued that Japanese foreign direct investment (FDI) has been better at achieving trade-based goals than Western (American) FDI. American FDI is oligopolistic and 'anti-trade', Kojima argues, because American corporations set up enclaves of production that substitute for local actors and capital. Japanese FDI on the other hand has been 'pro-trade' because it is complemented local actors in their trading intentions.²⁰² While recent scholarship suggests this idea may be more historical than contemporary, if ever having been true at all,²⁰³ what the inevitability of this idea presupposes is precisely the point made by Karl Polanyi - markets are socially contingent and need be politically constructed.

This construction process has been actively taking place since the middle of the 1980s, as Japan in collaboration with its organic intellectual the ADB (see below) and other UN bodies has been able and willing to construct far-reaching mental maps and their components. Less the case in other areas such as the EU or North America where established norms of regional integration are in place or unchallengeable, in Southeast Asia new conceptual geo-spatial arrangements for organizing economic integration have been put in place. The very normative efficacy of sub-regions and in the MRBCs case, the Greater Mekong Sub-region (GMS); crisscrossed by more purely conceptual devices in the form of 'economic investment corridors'; and bound in place at each of the MRBCs corners with the concepts of 'growth triangles' and 'border economic

²⁰⁰ In Bangkok: 'Nihonmachi' (Sukhumvit), 'Nihon Mura' (Sukhumvit), and 'Soi Thaniya' (Silom). There is also a fourth Japan Town north of Central Bangkok, at Ayutthaya, site of the medieval *nihon-machi*, and now Rojana Industrial Park where many Japanese companies are located. There are two in the district of Sukhumvit because many Japanese businesses and their families live there. The third, in the Thaniya Plaza area, is the seediest, being Bangkok's equivalent of Tokyo's Roppongi (the downtown half).

²⁰¹ Akamatsu, Kaname. (1962) 'A Historical Pattern of Economic Growth in Developing Countries'. *Journal of Developing Economies*, Vol. 1, No. 1, pp3-25

²⁰² Kojima, Kiyoshi. (1978) *Direct Foreign Investment: A Japanese Model of Multinational Business Operations*. London, UK: Billings and Son Ltd

²⁰³ Kasahara, Shigeohisa. (2004) *The Flying Geese Paradigm: A Critical Study Of Its Application To East Asian Regional Development*. UNCTAD, Discussion Papers, No. 16 [online] http://unctad.org/en/Docs/osgdp20043_en.pdf (accessed 02.01.2015)

zones', all demonstrate how Japan in collaboration with multilateral institutions is able to generate ideational apparatus that benefits bilateral objectives. The ability for Japan's public-private coalition to complement these ideational regimes with sub-regional hubs and spokes material power production chains - 'Thailand plus One', 'China plus One' and the potentially developing 'Hanoi plus One', and regional institutional power - the endorsement of tariff regimes that centre on the 2015 ASEAN Economic Community (AEC), further demonstrates the inter-related workings of Japan's hegemonic ability to complement the ideational with the material and the institutional.

4.3.3.1 Nationally Oriented Ideas

Generating the consent necessary to reach these big ideas requires the simultaneous generation of grass roots small ideas. Japanese hegemony achieves this through the creation of 'ideas factories' or soft power builders within the host country's civil society. Normally in the form of a 'co-operation centre' built from scratch, or in tandem with existing co-operation centres, bilateral associations, research institutes or local universities, these localised nodes of connectivity allow for the appearance of domestically generated ideas, local language materials and websites, cultural and Japanese language learning, research and business matching, and other socio-cultural advantages.²⁰⁴ As well as penetrating downwards Japanese influence attempts to penetrate upward, as corporate sponsorship of state and particular political figures pet projects allows for even greater localised legitimation. A case in point is Toyota's close working with the Thai king's social outreach program, implicitly conferring ideational legitimacy upon the company from Thailand's highest source. If at any time 'mutual understanding' falters, there is back-up capital that can be used for ideas management to 'correct misunderstanding and encourage mutual understanding'. Robert Angel identifies the existence of a Japan Lobby in the US, and demonstrates how these banking non-state actors can produce not only capital and debt, but also ideas that reinforce political (and state) interests. Angel notes how the sponsorship of Ivy League US universities and Japan Studies programs during the 1970s and 1980s by banks such as Sumitomo and Mitsubishi, was timed to countervail negative or critical analyses of Japan during times of international trade frictions with the US.²⁰⁵

4.4 CONCLUSION

This chapter set out to highlight how Japan is being approached in this study and to demonstrate some of the mechanisms by which Japan expresses hegemony. By historicising Japan, the intention was to root Japan's political-economy within historical modes of production that span back to the Meiji Restoration when the Meiji elites chose the path Japan would take to become a modern country. This path and its structures continue to characterise how Japan operates. Despite changes in world orders, the same manifestation of a strong state, a conservative tripartite elite, and a preference for strategically using economics and politics in tandem to serve wider goals, continually emerges. This in-built historical structure has prompted multiple forms of state but which do not necessarily align clearly with a liberal world order, of which is currently centred on the US. This contradiction is, it is argued here, a fundamental reason why there are so many characterisations of Japan's international relations and political-economy, which were outlined in section two. The argument from this is that Japan may be 'normalising', but not necessarily along liberal lines. A more activist, leadership role may be being regionally sought, but the approach to that role will be less free market orientated and more state capitalist or strategic capitalist motivated. This brought that chapter to section three, where along each of Cox's dimensions of hegemony, specific practices and advantages were listed that work inter-

²⁰⁴ Interview with interviewee 19

In Thailand there is the 'Technology Promotion Association', in Vietnam there is the 'Vietnam-Japan Human Resources Co-operation Centre, in Cambodia there is the 'Japan Cooperation Centre', and in Laos there is the Laos-Japan Human Resource Development Institute. The longest running is Thailand's Technology Promotion Association (TPA), was established with overly political purposes in mind (in response to Thai student protests during the 1960s), and helped to create the Thai-Nichi Institute, a largely engineering and IT orientated university with exchange agreements with various universities in Japan.

²⁰⁵ Angel, Robert. (1996) 'The Japan Lobby: An Introduction.' *JPRI Working Paper*, No. 27, December. [Online] <http://www.jpri.org/publications/workingpapers/wp27.html> (accessed 28.12.2014)

relatedly with each other. This highlighted how material power can combine with institutional power, or institutional power can combine with ideational power, to create powerful consent generating changes. These methods and the approach they are rooted in, mark out Japan's foreign relations as specific, and mainstream Realist or Liberal approaches often miss them due to their shared positivist, rationalist assumptions. Instead, hegemony as socially practiced is the proper means through which to discern Japanese hegemony. In the following chapter, the first of the relational case studies, how this works in practice will be analysed. In particular, the primary goal is demonstrate an essential building block assumption of this study - the building of a sub-regional order that Japan can generate consent towards.

5.0 JAPAN AND THE GREATER MEKONG SUB-REGION

Armed with a theoretical and methodological understanding of hegemony and Japan's international relations, this chapter moves to begin analysing those relations using the case studies employed in this study. The intention here is to begin by focusing on Japan's relations with the sub-regional construct of the Greater Mekong Sub-region (GMS) and its composite countries - the Mekong River Basin Countries (MRBCs). Since the thesis of this dissertation is that Japan's hegemony operates by dually supporting a structural order - the GMS, then garnering the consent and reforms needed from the MRBCs to align with that order, the purpose here is to demonstrate Japan's role in that order and then detail the forms of state that Japan deals with. The thesis here is that the GMS is a socially constructed unit, born out of the resource sharing model of the Mekong River collaboration, but that it has moved beyond this towards a trade bloc, business organised defined economic unit. Japan has been fundamental to creating and shaping this, and has done so without regard to the political regimes of the MRBCs. In fact, and following on from the arguments made in chapter four of Japan having not been aligned with a liberal state or liberal world order since the Meiji Restoration, the authoritarian nature of the regimes in the Mekong rather suits Japan's developmentalist/strategic capitalism organisation and orientation to global political-economy.

The chapter is divided into two parts - world orders and forms of state. On the first, Japan's historical relations with Southeast Asia is outlined in order to reveal a particular tendency of Japan's hegemony to operate within the expectations of global orders but simultaneously to attempt to pursue an alternate path. The section will go on to detail Japan's historical role in the Mekong and the development of the GMS, and conclude by demonstrating that far from open ended support for multilateral integration, Japan has encouraged this only so far as to allow it to then be re-connected to a Japan-centric bilateral order. On the second, the forms of state, class relations, and historic bloc conditions of the four MRBCs under investigation will be analysed. The over-riding thesis is that while the regimes are quite different, underlying them is an authoritarianism that suits them to Japan's developmentalist/strategic capitalist approach to global political-economy.

5.1 WORLD ORDERS, SOUTHEAST ASIA, AND THE CONSTRUCTION OF THE GREATER MEKONG SUB-REGION (GMS)

5.1.1 Japan and Southeast Asia

Japan possesses an extended history with Southeast Asia. Beginning in 1223 Japanese 'wakō' (pirates) had begun the process of East Asian integration by raiding Northeast Asian, and later Southeast Asian coastlines. By 1592, this illicit trade had become so lucrative that Japanese elites desired to possess some of the trade, and so the *shuinsen* (red seal ship) system was put in place, sanctioning official trade that would be supported by gunboat protection if necessary. *Nihon machi* (Japan towns) sprang up where this re-settlement became permanent, and a mapping of these medieval examples of Japanese internationalism bears a remarkable similarity to where today's Japanese settle and do business; the simplest example being Bangkok, which four centuries ago was also the centre of interest for Japanese, who settled in the 'gateway to Southeast Asia' at Ayutthaya, just north of present day Bangkok. Aside from the *wakō* and the *shuinsen* ships, Southeast Asia also became a site of respite for Japanese Christians attempting to escape persecution at home. These Japanese pioneers were often highly regarded for either their martial skills or economic prowess and many took up senior political positions.²⁰⁶ During this heyday period between the 15th century until the mid-16th century, a Ryukyu trade network

²⁰⁶ Iwao Seiichi surveyed these Japan towns in depth and found that these traders, unlike the lower class ramshackle groups that came later in the 19th century, were a sophisticated group of ex-samurai, officials and their families, who would often inter-ethnically marry, establish contract systems and money lending, and eventually setup these semi-autonomous towns where between 1604-1635, up to 100,000 may have emigrated. See: Seiichi, Iwai. (1966) *Nan'yo Nihon-machi No Kenkyu Zoteiban* [Studies of Japan-Towns in in the South Seas: Enlarged Edition]. Tokyo: Iwanami Shoten; Seiichi, Iwai. (1988) *Zoku-Nan'yo Nihon-machi No kenkyu: Nan'yo tosho chiiki bunsan Nihonjin imin No seikatsu to katsudo* [More research on Japanese towns in the south seas: The lives and activities of Japanese immigrants scattered in the islands of the South Pacific]. Tokyo: Iwanami Shoten

developed (later Nagasaki), focused principally with then Siam, that led to Japan seeing itself as a potential counter-hegemonic force to China's then tribute system.²⁰⁷ Japanese attacks on Korea in 1592 and 1598, and the southern domain of Satsuma's decision to annex the Ryukyu Kingdom in 1609 becomes more comprehensible within this context. The 1635 Sakoku Edicts closing Japan to the outside world left these Japanese stranded, and Japan's later return to the region would be in very different circumstances. The point of highlighting this medieval bygone history is to highlight not only the deep historical relations that Japan (meant loosely considering the fragmented *han* system nature of Japan in the 15th and 16th century), but to also note events that would later become re-invigorated in Meiji period expansionist historical narratives.

The worldview prior to the Meiji Restoration towards the outside world can be divided into three spheres - Japan proper, then everything outside Japan was divided according to the notion of *kaiteki chitsujokan* whereby a civilised Chinese sphere existed ('foreign countries') that was surrounded by a periphery of non-Chinese civilisation ('barbarian countries') and all of Southeast Asia besides Vietnam belonged in the barbarian category.²⁰⁸ After Japan's modernisation began, this worldview would need to be adjusted towards a new regional politico-economic framework - European colonialism. Within this order Japan's ignominious return to Southeast Asia and the Mekong region was not by adventuring buccaneers or gunship supported trade missions; the majority of Japanese to enter the now European colonial world order in Southeast Asia were *karayuki-san* or, prostitutes.²⁰⁹ These economic pioneers would often lay the groundwork for a petty bourgeoisie to develop of shopkeepers and small goods traders, but all within the world order of European colonialism and significantly for the Mekong, 'Great Game' inter-colonial rivalry between pax-Britannia and the French Empire that was driving transformations.²¹⁰ Having to adjust to this new world, pre-Meiji worldviews needed radically adjusting and a process began that involved ideational shifts coupled later with material and institutional support. Mark Peattie has compiled a thorough five step process of normative and policy construction for this shift. This involved between 1910 until full spectrum WWII imperialism, the building a historiography and intellectual road map with the: '*nan-shin-ron*' (theories on the south seas); the defining of space (*nan-yō* or 'southern seas'); the population of that intellectual space by organic intellectuals (study groups) and colonial companies; until finally *nan-you* became attached by the '*dai-ajia-kyokai*' (Great Asia Society - a study group) to a bigger concept - '*dai-ajia*' (Great Asia) and then, the 'East Asian Co-prosperity Sphere'.²¹¹

Southeast Asian elites were torn by this alternate model represented by a strong Asian country rather than those of white Europeans. In Thailand, military leader Plaek Phibunsongkhram (Phibun) acquiesced and signed a peace treaty in December 1941 with Japan that ostensibly (but not in reality) kept Thailand un-colonised. In Vietnam opinion divided between a return to traditional China oriented Confucianism in the form of Nguyen Khuyen; outward looking nationalism that favoured a French worldview in the form of Phan Chu Trinh; or outward looking nationalism that favoured a Japan-centric worldview in the form of Phan Boi Chau. The Cambodian elite attempted to play a double game with King Norodom Sihanouk attempting to balance all sides while the Japanese sought out rival Prince Monireth and then installing nationalist Son Ngoc Thanh. In Laos, Japan would also aim to undermine the Laos king by finding their own Japan-friendly nationalist Phetsarath Ratanavongsa and Japan-friendly Hmong rebel in the form of Faydang Lobliayao. All were betrayed as promises of nationalist

²⁰⁷ Gunn, Geoffrey. C. (2011) *History Without Borders: The Making of an Asian World Region, 1000-1800*. Hong Kong: Hong Kong University Press

²⁰⁸ Goto, Kenichi (2003) *Tensions of Empire: Japan and Southeast Asia in the Colonial & Postcolonial World*. Singapore: Singapore University Press

²⁰⁹ Shiraishi, Saya. and Shiraishi, Takashi. (1993) 'The Japanese in Colonial Southeast Asia: An Overview'. In Shiraishi, Saya. and Shiraishi, Takashi. (eds.) *The Japanese in Colonial Southeast Asia*. Ithaca, NY: Cornell University Press (Translation of Contemporary Japanese Scholarship on Southeast Asia, Vol. III)

²¹⁰ Keay, John. (2005) 'The Mekong Exploration Commission, 1866-1868: Anglo-Rivalry in South East Asia'. *Asian Affairs*, Vol. 36, No. 3, pp289-312

²¹¹ Peattie, Mark. R. (1996) "The 'Southward Advance', 1931-1941, as a Prelude to the Japanese Occupation of Southeast Asia". In Duss, Peter., Myers, Ramon. H. and Peattie, Mark. R. (eds.) *The Japanese Wartime Empire, 1931-1945*. Princeton, New Jersey: Princeton University Press

liberation disguised Japan's real intentions - natural resource and strategic territory acquisition, and while Japan entered under the cloak of European colonialism, it later assumed that cloak for itself; in Indochina launching Operation Meigo and initiating a coup d'force.

The current regional notion of *tō-nan ajia* or 'Southeast Asia' only entered Japanese elementary school textbooks from 1965, and is a translation of the Western regional concept learnt from Western occupiers.²¹² This is important in more than geographical ways, because Japan's post-WWII re-entry into Southeast Asia would again be beneath the umbrella of larger orders of hegemony; this time, pax Americana. Under this umbrella Japan would again enter under the cloak of a larger hegemon while building up its own position. Structures and relationships forged in WWII, coupled with post-war reparations and the 1954 Colombo plan, enabled Japanese elites (some of them ex-war politicians, businessmen or both) to use war reparations and later ODA to remain inter-connected with old colonial territories. Some Southeast Asian states early experiments with Import Substitution Industrialisation (ISI) gave way to Export Oriented Industrialisation and 'Look East' modes of politico-economic thought, as Japan's phoenix economy positioned Japan again as an alternative to a Western world order.

This promoted political influence to expand with the expanding economic influence during the 1970s. The 1977 Fukuda Doctrine and its three aims became the bedrock of Japan's foreign policy towards Southeast Asia (see below, table G). Since then, Japan became a major politico-economic intervener in Southeast Asia and through the ASEAN project, with the Fukuda Doctrine not coincidentally espousing similar principles to the so called 'ASEAN way'.²¹³ Hamanaka Shintaro argues that throughout the history of this regionalisation, and through the spaghetti soup of ASEAN institutions, it is still possible to detect a consistent pattern of sustained pattern of interest - active (rather than passive), regionalist (in addition to bilateral), and political (as opposed to economics oriented only).²¹⁴

Table. G The Fukuda Doctrine at a Glance

| <i>Principle</i> | <i>Aim</i> |
|--|---|
| (1) Japan would never become a military great power | (1) Japan would adopt a political approach instead of aggressive economic diplomacy |
| (2) Japan would establish an equal partnership of mutual trust with Southeast Asia | (2) Japan would support ASEAN as a regional institution. |
| (3) Japan would proactively cooperate with ASEAN in strengthening its unity and resilience, and building a relationship with Indochina based on mutual understanding | (3) Japan would establish a relationship of peaceful co-existence between ASEAN and Indochina |

Source: adapted from Shoji (2009)²¹⁵

Alongside ASEAN was Japan's support for the offspring of the UN mission related to resource sharing of the Mekong River - the Mekong Committee. Since the 1970s, Japanese aid has long been spent researching and providing technical assistance on the Mekong River and its environs.²¹⁶ With the cover of the Asian Development Bank, the resource sharing model has

²¹² Shimizu, Hajime. (1993) 'Southeast Asia as a Regional Concept in Modern Japan: An Analysis of Geography Textbooks'. In Shiraishi, Saya and Shiraishi, Takashi (eds.) *The Japanese in Colonial Southeast Asia*. Ithaca, NY: Cornell University Press (Translation of Contemporary Japanese Scholarship on Southeast Asia, Vol. III)

²¹³ The ASEAN way is usually enumerated as: informality, non-interference, musyawarah (consultation) and muafakah (consensus-building). In practice this means a preference for pragmatism, gradualism, and practice over principle.

²¹⁴ Hamanaka, Shintaro. (2010) *Asian Regionalism and Japan: The Politics of Membership in Regional Diplomatic, Financial and Trade Groups*. Oxon & New York: Routledge (Sheffield Centre for Japanese Studies/Routledge Series

²¹⁵ adapted from: Tomotaka, Shoji (2009) 'Pursuing a Multi-dimensional Relationship: Rising China and Japan's Southeast Asia Policy'. In Tsunekawa, Jun. (ed.) *The Rise of China: Responses from Southeast Asia and Japan*. National Institute of Defense Studies, Series No. 4. Available at http://www.nids.go.jp/english/publication/joint_research/series4/pdf/4-6.pdf (accessed 12.11.2014)

²¹⁶ Nguyen, Thi. D. (1999) *The Mekong River and the Struggle for Indochina: Water, War, and Peace*. Westport: Greenwood Publishing Group

been overlaid with the trade bloc model of the Greater Mekong Sub-region, and formally beginning from the end of the Cold War (but being worked towards much earlier); Japan began a new endeavour to establish its hegemony within this new order. It is this order and Japan's active encouragement of it and utilisation of it, which demonstrates Japan's continued proactive and strategic engagement with Southeast Asia.²¹⁷

There is a historical behavioural trend here, encapsulated in the Japanese expression noted in the previous chapter - *yoraba taijyu no kage* (a good tree is a good shelter). First, an ideational framework is constructed buffered by material and institutional structures that is used to justify intervention. Second, intervention is done beneath a larger power (Japan's entrance to Southeast Asia under European colonialism, then post-WWII American Cold War planning, then through ASEAN, then through the UN's Mekong project transmogrified into the ADB's GMS project) that eases the way for Japan's economic power to establish itself. Third, Japan will work within the current status quo for some time, while simultaneously working to provide alternative frameworks that are then 'suggested' once material power has been generated to a sufficient degree. This may seem like an unjustifiably large sweep of history to take, however as noted in the previous chapter; Japan is not a liberal state but is working within liberal world orders. These behaviours - readily discernable in Japan's relations with Southeast Asia for the past century - are concordant with a Japan that holds domestic norms and institutions of a particular inclination, but is required to operate that power within a world order of alternate norms and institutions. The result is a Japan wishing to play a leadership role in Southeast Asia but pursuing this in cautious and incremental steps.²¹⁸ The following section will examine what the focus of that order is in Southeast Asia - the Greater Mekong Sub-region, the small steps being taken to create a space for Japan's leadership.

5.1.2 Japan and the Greater Mekong Sub-region (GMS)

At this point, the keystone of this dissertation's argument needs to be justified. Since the thesis of this dissertation is that hegemony is in operation within Japan's international relations, but that the means by which this operates is for a world order to be constructed that states are then convinced to align to, the crucial question becomes: what has been Japan's role in the creation and/or evolution of the GMS (see appendix 5.1 for a full timeline). It is alignment to the GMS - used as the target to generate consent towards - that Japan's material, institutional and ideational power is being inter-relatedly used for. Therefore establishing the role of Japan in this mini world order, means establishing part of the basis for concluding a neo-Gramscian/Coxian version of hegemony is in operation.

5.1.2.1 The Concept of a Growth Triangle

Katzenstein notes that: "regionalisation refers to the political structures that both reflect and shape the strategies of governments, business corporations, and a variety of non-governmental organisations and social movements".²¹⁹ The Greater Mekong Sub-region (GMS) is one such structure. The approach used towards the GMS programme is a case of market integration rather than institutional integration (as opposed to the ASEAN Free Trade Area, which is a region wide attempt at institution building through fixed tariff rates).²²⁰ It is politico-economically known as a 'growth triangle'. There are three forms of which the GMS is the first and which has become overlaid with a second - (1) spontaneous association type, e.g.: Hong Kong and Southern China; (2) resource management type, e.g.: the Mekong delta or Mekong River stakeholder negotiations; (3) government inspired economic development type, e.g.: the

²¹⁷ Lam, Peng. E. (2013) 'Japan's Relations with Mekong Basin Countries: Diplomacy, Markets and Community'. *East Asian Policy*, Vol. 05, No. 03, pp86-95

²¹⁸ Smith, Anthony. L. (2006) 'Japan's Relations with Southeast Asia: The Strong Silent Type'. In Sato, Yoichiro. & Limaye, Satu. (eds.) *Japan in a Dynamic Region: Coping with New Security Challenges*. Oxford: Lexington Books

²¹⁹ Katzenstein, Peter. (2002) 'Regionalism in Asia'. In Breslin, Shaun., Hughes, Christopher W., Phillips, Nicola & Rosamond, Ben (eds.) *New Regionalism in the Global Political Economy: Theories and Cases*. London & New York: Routledge (Warwick Studies in Globalisation), p. 105.

²²⁰ Menon, Jayant. and Melendez, Anna. C. (2013) 'Trade and Investment in the Greater Mekong Subregion: Remainign Challenges and the Unfinished Policy Agenda'. In Shrestha, Omkar. L. and Chongvilaivan, Aekapol. (eds.) *Greater Mekong Subregion: From Geographical to Socio-economic Integration*. Singapore: ISEAS Publishing

GMS.²²¹ Despite a tendency to associate this co-operation with the post-Cold War period, a little historicism is important here as it reveals Japan's under-stated role. The notion of a growth triangle is often linked to the 1989 pronouncement about the economic cooperation of Singapore, Johor (a Malaysian state) and Riau (an Indonesian province) - SIJORI. There are ten such growth triangle schemes in East and Southeast Asia, and are united by a number of features:²²²

- Economic complementarity, e.g.: a shared natural resource
- Geographical proximity
- Involve portions of countries thereby minimising political and economic risks
- Political commitment and policy co-ordination
- Infrastructure development in support of geographical proximity
- Access to world markets
- The need for a catalyst, e.g.: an outside actor, to facilitate developments,
- Activist government

Given the tendency for previous ASEAN economic co-operation schemes to have failed in the past due to national interest taking precedence over ASEAN cooperation,²²³ the growth triangle was a new and innovative idea.

Involvement by Japan in the gestation of the SIJORI growth triangle concept is difficult to establish but what is easier to establish is the importance of Japan to Singapore as an economic model at the time. Singapore's 'Learn from Japan Campaign' between 1979-1981, was an ideological tool to re-structure the Singapore economy towards a 'second industrial revolution', that would enable Singapore to attract Japanese and US advanced technology companies who wanted to move offshore by the beginning of the 1980s.²²⁴ To achieve this a Palanyian reconstruction had to take place that included an encouragement of the 'Japanese model of business',²²⁵ the upgrading of what is now often referred to as 'soft infrastructure', i.e.: workforce knowledge and skills;²²⁶ and the penetration of Singapore's civil society in order to provide soft power cultural rebuttal against Singapore's Chinese population protesting Japan's 'blood debt' (financial reparations for Japan's occupation of Singapore during WWII).²²⁷ Not all Japanese style exports were readily accepted as Singaporean individualism, lack of cultural homogeneity and a lack of interest in the notion of the company rather than the family being the basic cultural unit, all pushed back against the government's interest in all things Japan.²²⁸ More broadly however, a politico-economic model had been established; a model that could be extended beyond Singapore.

²²¹ Wadley, David. & Parasati, Hayu. (2000) 'Inside South East Asia's Growth Triangles'. *Geography*, Vol. 85, No. 4, pp323-334

²²² Dorsch, Jörn. & Hensengerth, Oliver. (2005) 'Sub-Regional Cooperation In Southeast Asia: The Mekong Basin'. *European Journal of East Asian Studies*. Vol. 4, No. 2, pp263-286 (p269-270)

²²³ Pangetsu, Mari. (2005) 'Southeast Asian Regional and International Economic Cooperation'. In Weatherbee, Donald, E. (ed.) *International Relations in Southeast Asia: The Struggle for Autonomy*. Oxford: Rowman & Littlefield Publishers, Inc. (p189) Failed or half completed cooperation schemes include: ASEAN level preferential tariff arrangements in 1977; ASEAN Industrial Projects in 1980 whereby large scale developments would be government allocated to only one ASEAN country; ASEAN Industrial Cooperation from 1981 whereby differing stages of the production process would be distributed over different ASEAN states; ASEAN Industrial Joint Ventures from 1982 whereby incentives would be provided for private sector joint ventures; the ASEAN free trade area (AFTA) from 1996 which even after being updated to become the ASEAN Economic Community (AEC) by 2015 remains unlikely to fully materialise.

²²⁴ Ramcharan, Robin. (2002) *Forging a Singaporean Statehood, 1965-1995: The Contribution of Japan*. Dordrecht & Massachusetts: Kluwer Law International, p181-p190

²²⁵ To exploit the re-structuring, the Singaporean state would need to discipline its population into 'Japanese models of business' - challenge organised labour, stamp out a creeping individualism expressed through 'job hopping', create a technocratic elite (which would include union leaders), and upgrade the skills and knowledge of workers by building semi-official and socio-cultural ties with Japan.

²²⁶ Technical assistance had been received since 1966 with an agreement between the Singapore Economic Board and Japan, but after the 'second industrial revolution' the Japanese government stepped up support for the Japan-Singapore Training Centre in addition to funding for the engineering department of the University of Singapore in 1979 and for the Japanese Studies department at the National University of Singapore (1981).

²²⁷ Socio-cultural support emerged from the Japan Cultural Society and the Japan Club, which would train local workers in Japanese and accept Japanese scholars.

²²⁸ Thang, Leng Leng. & Gan, S. K. (2003) 'Deconstructing 'Japanisation': Reflections from the 'Learn From Japan' Campaign In Singapore. *New Zealand Journal of Asian Studies*. Vol. 5, No. 1, pp91-106 (p97-98)

5.1.2.2 The Politico-Economic Genealogy of the GMS

With the notion of the growth triangle established, more followed; and out of the ten in East Asia the three most significant that are in Southeast Asia are the Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT), the Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA), and the Greater Mekong Sub-region (GMS). The standard start date for the GMS is 1992 when it was announced by the ADB. The ADB describes the entity in the following way: ‘The Greater Mekong Sub-region (GMS) is a natural economic area bound together by the Mekong River, covering 2.6 million square kilometres and a combined population of around 326 million.’²²⁹ These three points - a 1992 start date, an ADB initiative, and a natural geographical area - are political half-truths and propaganda. By starting in 1992, a reified historical break can be established between pre- and post- Cold War, and ignores the degree of reform having been implemented beforehand, principally among former Indochina states, of which Japan had played a large part. Through being announced by the ADB, traces of the GMS that are linked to previous initiatives spearheaded by Japan were severed, when in fact the main elements of the GMS had been conceived during the Vietnam War and were only later finalised by the ADB.²³⁰ This had the effect of cloaking in the neutral shroud Japan’s behind the scenes conception by being expressed through its regional organic intellectual. And by describing the GMS as a ‘natural area’ with ‘natural features’, the image is conjured of inevitably and not what is the reality - that the GMS is a purely conceptual unit that has been socio-politically constructed in order to justify various economic interventions. Jim Glassman refers to this as a ‘spatial fix’, i.e.: the ideationally rooted physical re-construction of space in order to facilitate economic activity.²³¹

The concept has been heavily criticised by civil society groups for introducing activities that may stimulate economic growth but do live up to ADB claims of poverty reduction, causing widespread ecological damage, and generally increasing human vulnerability for the GMS’s inhabitants.²³² Even in its own terms, Alfred Oehlers doubts whether the ADB (and Japan) are building the true fundamentals of a market economy as claimed, since developments in the Mekong are largely exogenously driven and lack true institutional and production based underpinnings.²³³

The GMS began as a United Nations effort at resource sharing centring on the Mekong River,²³⁴ specifically through the employment of the, at the time regarded, ‘golden bullet’ of economic development - dams. The United Nations Economic Commission for Asia and the Far East (UN-ECAFE) established the ‘Committee for Coordination on the Lower Mekong Basin’ in 1957, in which development was the primary concern. A research study by US army engineer, Lt. Gen Raymond Wheeler, led him to affirm that properly developed, the river “could easily rank with South East Asia’s greatest natural resources”.²³⁵ The Committee lasted until 1978 when internal political instability in member states - principally the rise of the Khmer Rouge in Cambodia, in addition to broader Cold War tensions - meant that trans-border economic development and inter-dependence would not be possible. From 1978 until 1995, an ‘Interim

²²⁹ Asian Development Bank [Online] *Greater Mekong Subregion*. Available at <http://www.adb.org/countries/gms/main> (accessed 20.10.2014)

²³⁰ Faure, Guy. and Schwab, Laurent. (2008) *Japan-Vietnam: A Relationship Under Influences*. Singapore: National University of Singapore Press

²³¹ Glassman, Jim. (2011) ‘The GMS and Thailand’s ‘Spatial Fix’’. In Vaddhanaphuti, Chayan and Jirattikorn, Amporn (eds.) *Spatial Politics and Economic Development in the Mekong Sub-region: A collection of papers from the international conference ‘Critical Transitions in the Mekong Sub-region’*. Chiang Mai: Chiang Mai University, The Regional Center for Social Science and Sustainable Development (RCSD)

²³² Oxfam Australia (2007) *Hidden Costs: The Underside of Economic Transformation in the Greater Mekong Subregion*. Available at <https://www.oxfam.org.au/wp-content/uploads/2011/08/oaus-hiddencostsmekong-0907.pdf> (accessed 30.07.2014); Oxfam Australia (2008) *A Citizen’s Guide to the Greater Mekong Subregion: Understanding the GMS Program and the role of the Asian Development Bank*. Available at <https://www.oxfam.org.au/wp-content/uploads/2011/08/oaus-citizensguidemekong-1108.pdf> (accessed 30.07.2014)

²³³ Oehlers, Alfred. (2006) ‘A critique of ADB policies towards the Greater Mekong Sub-region’. *Journal of Contemporary Asia*, Vol. 36, Issue. 4, pp464-478

²³⁴ The cross-country cutting river is 4,800km in length, 9th largest in the world (in terms of water capacity), 12th longest in the world, and the river’s basin is home and resource supply (in various ways) to 70 million people.

²³⁵ Quoted in Priscoli, Jerome. D. (2009) *Managing and Transforming Water Conflicts*. Cambridge: Cambridge University Press, International Hydrology Series, p. 219.

Mekong Committee' was established, without Cambodia, until moves in the early 1990s for conditions to be set for Cambodia's re-entry into the institution. The change in regimes did not phase Japan, which continued to support the sub-regional dream by continuing funding for the Interim Mekong Committee; the foundation for future infrastructure development within the GMS,²³⁶ and a lingering framework through which to connect post-conflict Indochina.²³⁷ In 1995 the present institution, the Mekong River Commission (MRC) was established, comprised of Cambodia, Thailand, Vietnam, and Laos, with China and Myanmar given the status of 'dialogue partner'.

Despite what some mainstream observers note about the lack of Mekong cooperation and the weakness of the MRC, the resource sharing/conflict resolution paradigm is not the best way to approach this sub-region. The confusion arises from two paradigms sitting overlaid on each other. One is the political model, involving resources (the Mekong river, fish stocks, hydropower potential etc.) and epitomised by the Mekong Committee/Mekong River Committee. This is the older model that sprang out of 1950s UN efforts. The other is the economics model, involving market construction (growth triangles, connectivity, infrastructure development) and epitomised by the GMS project. The first creates questions involving resource competition/cooperation; the second involves questions involving transformation and reconfiguration. It is the second of these paradigms that accurately describes not only contemporary thinking about sub-regionalism in the Mekong, but also how Japanese hegemony approaches the sub-region. To be clear, the second paradigm developed out of the first. Concomitantly, Japan was formerly concerned with the Mekong Committee and Mekong River Commission; but not anymore. It is the extra-territorial nation state notion of the GMS project that animates current policy and international actors.²³⁸

The problem with the resource sharing approach to conceptualising the Mekong is not only theoretical, it is empirical. Firstly, the resources are disproportionately shared along three axes. In decreasing amounts, 97 per cent of the Mekong courses through Laos, 87 per cent through Cambodia, 36 per cent through Thailand, 20 per cent through Vietnam.²³⁹ In the two other Mekong riparian states but not institutionalised states, 4 per cent of the river exists in Myanmar's territory and 3 per cent in China's southern Yunnan province. This means that on the first axis Laos gains the most in length of access to the river, but since the river flows downwards in to the Mekong Delta, taking nutrients and fish with it, on the second access of food and agricultural capacity the downstream delta states of Vietnam and Cambodia gain more. This contrast between the energy potential the upstream states (caused by dam building) and the food security concerns of the downstream riparian states (caused by declining fish stocks and river flood plain potentials) continue to cause difficulties. However, a third axis exists of source power and size. While only 3 per cent of the river flows through China, the Mekong's source is in Chinese territory, allowing China to control the root of the river. Moreover, China has the greater political authority to push through its desires for the Mekong. Secondly, The MRC as an institution was never designed to be an authoritative judicial body, and the agreement upon which it is based is extremely flawed. The 1995 agreement calls for 'timely notification' of actions Mekong states desire to make towards the river but does not define what 'timely' means. It calls for the need 'to cooperate on the basis of sovereign equality and territorial integrity', i.e.: working through a nation-state paradigm in the utilisation of a transnational resource. Moreover, the MRC has no capacity to deal with 'cheating'; it is a recommendation-based institution only.²⁴⁰

²³⁶ Cosslett, Tuyet L. & Cosslett, Patrick. D. (2014) *Water Resources and Food Security in the Vietnam Mekong Delta*. London and New York: Springer

²³⁷ Nakayama, Mikiyasu. (2010) 'Japanese Support to the Interim Mekong Committee During Post-Conflict Recovery of Member States'. *Asian Journal of Environment and Disaster Management*, Vol. 2, No. 1, pp85-92

²³⁸ Hirsch, Philip. (1999) 'Beyond the Nation State: Natural Resource Conflict and 'National Interest' in Mekong Hydropower Development'. *Golden Gate University Law Review*, Vol. 29, Issue 3

²³⁹ Dore, John. (2003) 'The Governance of Mekong Regionalism'. In Dore, J. & Mingsam, Kaosa-ard. (eds.) *Social Challenges for the Mekong Region*. Bangkok: White Lotus

²⁴⁰ Mekong River Commission (1995) *Agreement on the Cooperation for the Sustainable Development of the Mekong River Basin*. Available at <http://www.mrcmekong.org/assets/Publications/policies/agreement-Apr95.pdf> (accessed 09.09.2013)

Therefore, instead of the resource model ‘water view’ of Mekong co-operation, the preferable approach is the ‘politico-economic’ view of the region within the hegemonic sights of major powers such as Japan. As early as 1977 Fukuda Takeo desired, upon Japan’s being invited for the first time to an ASEAN summit, to announce Japan’s approach to Southeast Asia. The resulting ‘Fukuda Doctrine’ of three principles - (1) Japan would never become a military power, (2) would build up relations of mutual confidence and trust with Southeast Asian countries through ‘heart to heart’ relations; and (3) build peace and prosperity in the region - officially remains as the main blueprint for Japan’s relations with Southeast Asia.²⁴¹ Severe miscalculations made at not foreseeing Vietnam’s invasion of Cambodia in the same year meant any regional approach Japan might desire to take were unfeasible. Instead a bilateral approach only would be possible, and Japan went about very quietly bringing together competing political factions in post-genocide Cambodia, beginning aid programs in Laos as the new Communist regime was having trouble forestalling a famine, and aiding Vietnam’s marketisation reforms that were begun as early as the beginning of the 1980s at the Fifth National Congress; years before their official announcement in 1986 with *doi moi* (renovation). More detail on these interventions in the former Indochinese states will be made in chapters 7-9, however at this point the important point to note is that the GMS and regionalisation could not have happened without Vietnam’s alignment with a free-market world order, Cambodia’s gaining of political stability after almost destroying itself, and Laos becoming able to feed itself. Towards all these country specific transformation, Japanese hegemony stood quietly in the background with technical assistance in the case of Vietnam; with diplomatic and economic support in the case of Cambodia; and with basic aid and volunteers in the case of Laos. With the signing of the 1991 Paris Peace Accords ending the main issue stumbling regionalisation - Vietnam’s domination of Cambodia - Japan moved quickly to embed the gains made. The goal was to gain consent for a new order - the growth triangle; and for a new definition of that growth triangle - the SIJORI-esque government driven economic development type as opposed to the tried and failed resource management type.

5.1.2.3 The post-Cold War GMS and Japan

While the ADB may have announced this new type of growth triangle - the GMS - in 1992, and most commentators focusing upon the ADB, it is largely Japan (and the US) which financially stopgaps the ADB. Aside from being the dual 12.5 per cent each major funders of the ADB, within the institution Japan is the top funder of the Asian Development Fund (established in 1977 to provide concessional lending) and the Japan Special Fund (established in 1988 to provide technical assistance for development states wishing to reform). Bilateral efforts throughout the 1980s to produce political and economic reforms *within* the Mekong states now became matched by institutional support *across* the Mekong states, tied together with ADB capital as the catalyst. The GMS’s initial six priority areas were: transportation, telecommunication, energy, human resources, the environment, and trade and investment; with transportation being the major priority, tourism and agriculture added later (1994 and 2001 respectively), and ‘trade and investment’ being separated in 1998.²⁴² A grand political consent building exercise began to economically and physically terraform these economies to fall in-line with these priority areas. Just as Thailand had done before them, it was necessary to cause a shift in the modes of production - from agriculture based but inward industrial development, towards heavy industry and foreign driven export based industrialisation. However this attempt to emulate Japan’s success was for the original ASEAN economies and is for the new ASEAN economies, physically not possible as it would require more land and resources than those countries possess and lead to unsustainable urbanisation, consumption, waste and pollution all underline following the Japanese model.²⁴³ The GMS project is a hegemonic device to aid Japan and not the MRBCs.

²⁴¹ Lam, Peng. Er. (2013) ‘The Fukuda Doctrine: Origins, Ideas and Praxis’. In Lam, Peng. Er. (ed.) *Japan’s Relations with Southeast Asia: The Fukuda Doctrine and Beyond*. Oxon & New York: Routledge

²⁴² Ishida, Masami & Isono, Ikumo (2012) ‘Old, New and Potential Economic Corridors in the Mekong Region.’ In Ishida, Masami (ed.) *Emerging Economic Corridors in the Mekong Region*. BRC Research Report No.8, Bangkok Research Center, IDE-JETRO, Bangkok, Thailand. Available at http://www.ide.go.jp/English/Publish/Download/Brc/pdf/08_chapter1.pdf (accessed 10.10.2014)

²⁴³ McCormack, Gavan. (1999) ‘Modernism, Water and Affluence: The Japanese Way in East Asia’. In Goldfrank, Walter. L., Goodman, David. & Szasz, Andrew. (eds.) *Ecology and the World-system*. Westport: Greenwood Press

The first step in this re-construction was for Japan not to focus on the Mekong but to focus on former Indochina; the so-called ASEAN 'latecomers'. No sub-regionalisation could occur without the Communist triumvirate transforming to match the capitalist world order. Political engagement piggybacking economic engagement came quickly, as Japan's then prime minister Miyazawa Kiichi, proposed in 1993 a views exchange, resulting in the 'Forum for Comprehensive Development of Indochina' or 'Indochina Forum', eventually held in Tokyo in 1995. Chaired by Japan and including Mekong states, ASEAN states, and non-regional international actors, the Forum agreed on three objectives:²⁴⁴

- (1) Development of whole of Indochina from the regional perspective
- (2) International cooperation through voluntary coordination of assistances based on information exchange among participating nations and organisations
- (3) Promotion of market economies in the three countries

The Miyazawa Initiative also yielded acceptance for the Japanese proposal of the ASEAN Regional Forum (ARF) and therefore early signs of a link between economic union/adjustment and security union/adjustment were already in sight.

The second step between 1994-1997 was not only to develop the former Indochina countries but also to integrate them into ASEAN. In January 1995, Japan's Ministry of International Trade and Industry (MITI) created the 'Working Group on Economic Co-operation in Cambodia, Laos and Myanmar' (CLM-WG), formerly the 1994 'Working Group on Economic Cooperation in Indochina'. The purpose of the public-private Japanese MITI led group was to support ASEAN initiatives that were aimed at economic relations with Indochinese countries. By December of 1997, Japan and ASEAN changed the 'Working Group on Economic Co-operation in Cambodia, Laos and Myanmar' (CLM-WG) to the 'Economic and Industrial Co-operation Committee' (AMEICC). Its goal was to improve the legislative environment in Indochina and helping new members integrate with ASEAN.²⁴⁵ In other words, first Japan supported one side - ASEAN > Indochinese states, then the other Indochinese state side > ASEAN. Economic engagements were quickly tied to political engagements, and in 1995, Japan proposed that the Ministerial Meetings on ASEAN-Mekong Basin Development Cooperation begin (a sub-branch meeting of ASEAN), in addition to the Indochina oriented 'Ministerial Meeting of the Forum for Comprehensive Development of Indochina'. In June 1996, the first 'ASEAN-Mekong Basin Development Cooperation' (AMBDC) meeting took place including Mekong states and seven ASEAN members - integration had been successful. The cooperative fruit of all these labours was Cambodia, Laos, Thailand, and Vietnam signing the 'Agreement on the Cooperation for the Sustainable Development of the Mekong River Basin', creating the Mekong River Commission (MRC) - the main resource based institution in the GMS, to which Japan is a donor and 'dialogue partner' of. In 2000, ASEAN launched the 'Initiative for ASEAN Integration' (IAI) and 'Narrowing the Development Gap' (NDG) initiative, specifically focused upon the CLMV Mekong country grouping. Japan supported and focused upon so called 'soft infrastructure' (human skills and training).

The third step was to bring together public and private sectors. The working groups had already been open to Japanese corporate participation, but 1996 really yielded a great deal of practical planning from largely Japan's private sector. The 'Task Force for Strategies for Development of the Great Mekong Area', a meeting of private sector industrialists with the aim of infrastructure development in the Mekong was held in March, producing the report 'Strategies for development of the Greater Mekong Area' in which major Mekong wide infrastructure projects were identified:

- (1) Infrastructure development transcending political borders and regions
- (2) Priority support to Cambodia and Laos
- (3) Emphasis on environmental issues in areas along the Mekong River Basin

²⁴⁴ Japanese Ministry of Foreign Affairs (Online) *Japan - ASEAN Cooperation: A New Dimension in Cooperation*. Available at <http://www.mofa.go.jp/region/asiapaci/asean/relation/dimens.html>. (accessed 7.11.2013)

²⁴⁵ Munakata, Naoko (2006) *Transforming East Asia: The Evolution of Regional Economic Integration*. Washington, Brookings Institution Press

In September, the ‘Working Group on Infrastructure Development’ in the Mekong was held in Australia, followed by the ‘Working Group on Human Resources Development’ and ‘Working Group on Infrastructure Development’ in the Mekong was held in Thailand.

5.1.3 Japan’s Shifting Priorities towards the GMS

Around the end of the 1990s/turn of the millennium, something telling seems to have shifted in how Japan approached Southeast Asia and the Mekong countries. Japanese policy begins to move away from favouring open ASEAN multilateralism and ASEAN-Mekong integration and towards an order that is more keenly attached to a Japan orbit. A number of then contemporary reasons for this can be speculated upon: the 1997 Asian Financial Crisis, the US rebutting of Japan’s desires to create an Asian Monetary Fund, a shift in political leadership with Koizumi Junichiro in Japan. However the longer term question is that raised by Glenn Hook and cited in the previous chapter: in the post-Cold War period, is Japan taking greater advantage of multilateralism, or does it remain continually constrained by Cold War norms of bilateralism and is simply using multilateralism to supplement bilateralism?²⁴⁶ The answer in this thesis is towards the latter, and therefore that this shift in Japan’s foreign policy approach was likely intended from the outset. Japan’s preference for bi-lateral engagements has encouraged a regionalism that has acted as a bulwark against trends towards global level integration.²⁴⁷ Now with that integration on track, the goal became to align with a Japan linked order.

5.1.3.1 Shift 1: The Southern Economic Corridors

Indicative of this, the first shift to take place was a focusing by the ADB (and therefore Japan) upon the East-West and later South-South (aka. Southern Coastal) Economic Corridors of the GMS. Economic corridors are more, purely ideational devices, built into the wider ideational device of the GMS. They are meant to guide investments in infrastructure, energy or other such structural level economic needs that the private sector requires. After completion, the private sector can step in and begin investing in production and trading systems. There are eight such economic corridors that dissect the GMS,²⁴⁸ and the ADB’s flagship was the 1998 initiated and 2001 pre-Investment Study conducted East West Economic Corridor (EWEC).²⁴⁹ Each corridor is like a conceptual tunnel, and within that tunnel, multiple real world projects are delivered, referring to sectional road projects, tunnels, and bridges. As subsequent chapters will demonstrate, while multiple actors are involved in projects along many of the ADB’s corridors, the corridors that receive the most Japanese funding (and significantly, those projects where the ADB will work alongside) are those along the EWEC. This was a concern for Japan at the November 2001 ‘Quadripartite Ministerial Meeting on the Utilisation of the Second Thai-Lao Mekong Bridge and the Development of Areas along the Eastern Part of the East-West Economic Corridor’ when Japanese elites were keen to cement in practice the ADB’s EWEC. It would also become a concern at the yet to develop First Mekong-Japan Foreign Ministers’ Meeting when the improvement of logistics and distribution along the East-West and Southern Economic Corridor was a top priority. Focusing on the EWEC and Southern Coastal Corridor has two immediate advantages. First, they are not connected to the more northerly oriented China connecting corridors and second, they represent the two routes that can span across the Mekong, potentially opening up inter-regional connectivity for Japan.

²⁴⁶ Hook, Glenn. D. (1998) *Japan and the ASEAN Regional Forum: Bilateralism, Multilateralism Or Supplementalism?* DIJ Tokyo Forum. Available at http://www.dijtokyo.org/doc/dij-jb_10-hook.pdf (accessed 09.04.2014), p161

²⁴⁷ Hook, Glenn. D. (1999) ‘Introduction: The Political Economy of Sub-regionalism and World Order’. In Hook, Glenn. D.. and Kearns, Ian. (eds.) *Sub-regionalism and World Order*. London: Macmillan

²⁴⁸ (1) The Northern Corridor, (2) the Northeastern Corridor, (3) the North-South Corridor, (4) the Eastern Corridor, (5) the Central Corridor, (6) the East-West Corridor, (7) the Southern Coastal Corridor, and (8) the Western Corridor

²⁴⁹ Asian Development Bank (2010) *Strategy and Action Plan for the Greater Mekong Subregion East-West Economic Corridor*. Available at <http://www.adb.org/publications/strategy-and-action-plan-greater-mekong-subregion-east-west-economic-corridor> (accessed 10.05.2015)

5.1.3.2 Shift 2: *Disconnecting from ASEAN, Re-Connecting with Japan*

The second shift to take place was the stepping out from working within multilateral frameworks and the attempt to build Japan-centric relations. It began in 2003 - the 25th anniversary of Japan-ASEAN relations and the 'ASEAN-Japan exchange year' - with the MOFA proposed 'New Concept of Mekong Region Development'. This proposed in relation to the Mekong region that an 'expanded set of actors' was necessary.²⁵⁰ Then from 2004, Japan opened up separate bilateral foreign ministerial and leaders summit meetings with the CLV countries, followed in 2005 by the Koizumi promoted and Cambodia, Laos and Vietnam leaders signed, 'Initiative for Mekong Region Development'. This called for the creation of 'development triangles' - more ideational apparatus. A development triangle is a sub-national spatial unit within a 'growth triangle', applying the same lessons learnt from growth triangles of micro-transnational nationalism that apply to only portions of nation-states and economies. Japan's preferred priority was the CLV-DTA (Cambodia, Laos Vietnam Development Triangle Area), conveniently located on the Eastern side of the East-West Economic Corridor.

With the micro-region of the CLV politically carved off and economically incentivised, Japan's ambitions now became bigger - to re-orient the entire Mekong project. In 2006, the Japan-ASEAN Integration Fund was created, ostensibly to mark out Japanese capital from other donor's capital. Then in 2007, Japan breaks entirely with ASEAN located integration. Until then, Japan had been supporting the 1996 created ASEAN-Mekong Basin Development Cooperation (AMBDC) group, a special sub-branch of ASEAN's Economic Community project. A forum for ASEAN, Mekong, and Chinese leaders, observers include Japan, the ADB, and UN bodies. A review of attendees for each meetings reveals that Japan and the Asian Development Bank had attended all of these ministerial meetings, until the ninth ministerial meeting in 2007.²⁵¹ After this, Japan and the ADB stopped attending, with the forum being attended every year by only ASEAN members and China. In the same year, Japan established a separate bi-lateral connection with the Mekong initiated with the 'Japan-Mekong Partnership Program',²⁵² and by January 2008, the first Mekong-Japan Foreign Ministers' Meetings had begun. By November 2009 the foreign minister meetings had evolved into inter-leader Mekong-Japan Summit Meetings the first of which led to the 'Mekong-Japan Action Plan 63', a comprehensive list of sixty-three shovel ready projects and policies across and for the Mekong countries. Leaked diplomatic cables from the time also reveal Japan's lukewarm interest in co-operation through the old model resource cooperation growth triangles, epitomised by the Mekong River Commission which until this time Japan had funded and shown significant interest during the Cold War in re-habilitating. A US Bangkok embassy official notes of Japanese officials lack of engagement: "...the Japanese embassy action officer for lower Mekong engagement noted that Japan's long list of assistance programs recently delivered at its Mekong summit was largely notional and that the MRC meeting was a venue for Japan to see which of the many types of assistance resonated with the lower Mekong countries. In the MRC meeting, the same Japanese representative announced only \$300,000 in firm funding to support the MRC".²⁵³

From 2010 and with the Mekong re-connected to a new orbit the Action Plan 63 agenda in place, Japan began work to expand the 'tracks' of actors. Corporate and industry groups desiring to develop public-private partnerships (PPPs) were aided through the February initiated 'Meeting of the Japanese Working Group for the Forum for the Promotion of Public-Private Cooperation in the Mekong Region' (meeting ten times in 2010 alone), the October initiated 'Mekong-Japan Economic and Industrial Co-operation Initiative' (MJ-CI), and the December initiated 'Forum for the Promotion of Public and Private Cooperation in the Mekong Region'; all oriented

²⁵⁰ MOFA (Japan) [Online] *New Concept of Mekong Region Development*. Available at http://www.mofa.go.jp/region/asia-paci/asean/year2003/summit/mekong_1.html (accessed 20.05.2015)

²⁵¹ Association of South East Asian Nations [Online] *The 9th Ministerial Meeting of the ASEAN-Mekong Basin Development Co-operation (AMBDC): Joint Media Statement*, 27th August 2007 (accessed 02.11.2013)

²⁵² The program begins modestly with three broad goals - (1) Enhanced Japan - Mekong Region partnership (2) Sustainable economic growth of the Mekong Region (3) Life with dignity for the people in the Mekong Region and fulfillment of their potential

²⁵³ US Department of State, diplomatic cable 09BANGKOK3117 (11.12.2009). Source: *Wikileaks*, 01.09.2011, available at <http://wikileaks.org/cable/2009/12/09BANGKOK3117.html> (retrieved 15.01.2014)

towards achieving the Action Plan 63 roadmap.²⁵⁴ All the while Mekong-Japan political relations were maintained with the yearly leadership summits and foreign ministers meetings, complemented by the 2009 initiated Mekong-Japan Economic Ministers meetings, which started with the ‘Mekong-Japan International Conference on East-West Economic Corridor’, again demonstrating Japan’s prioritisation of the EWEC. In 2011 the ADB updated their Mekong agenda with a new ten point master plan - the Greater Mekong Sub-region (GMS) Strategic Framework 2012-2022, leading four months later in April 2012 to Tokyo replacing Action Plan 63 with the updated ‘Tokyo Strategy 2012 for Mekong-Japan Cooperation’; another roadmap of planned development projects that bears a very strong similarity with the ADB’s ‘Strategic Framework 2012-2022’ and both are meant to work towards the 2015 goal of the ASEAN Economic Community.

5.1.3.3 Mekong-America, not Mekong-China

The above timeline should hopefully highlight to the reader the degree of hegemony Japan is able to extend and use for strategic purposes - first to develop and re-align the MRBCs each separately; then to integrate them into ASEAN; finally to re-connect the new pattern of organisation into a Tokyo orbit. This has not been unnoticed however, and has prompted a third major shift in Japan’s policy towards the Mekong - alignment with the US rather than the natural Mekong partner, China. When Japan began developing separate channels of relations with the Mekong states outside of the framework of ASEAN, cursory relations were also developed with China. In April 2008 the First Japan-China Policy Dialogue on the Mekong Region was established however meetings have been infrequent and only four have taken place, compared to the yearly meetings with the other Mekong states. Instead, and organised rather hastily in 2009 compared to Japan’s foresight, the US began convening its own political meetings with MRBC leaders, essentially with many of the same goals and even the same rhetoric as Japan had. The ‘Lower Mekong Initiative’, works along two tracks – (1) yearly ministerial meetings take place under ‘Lower Mekong Initiative Regional Working Group Meeting’ (in which Japan is not involved); (2) yearly ministerial meetings in the ‘Friends of the Lower Mekong (FLM) ministerial meetings (in which Japan is involved). The American ‘Friends of the Lower Mekong’ and the Japanese ‘Mekong-Japan Foreign Ministers Meetings’ both occur in July every year, and examining the timing of the events it is possible to witness the tag-teaming of the Mekong-Japan meetings taking place in Tokyo, followed by Japan joining the US’s Friends of the Lower Mekong Initiative in the following few weeks. No mention of China is ever suggested, however this similar establishment time; the dual timing of meetings; and similar policy goals and language, seem to demonstrate a concern about China’s increasing influence in the MRBC sub-region and the need to find a ‘tree’ to hide behind.

In November 2011, the first overt signs of militarising Japan’s Mekong agenda are laid out. The ‘ASEAN-Japan Plan of Action 2011-2015’ is announced, and has a much more pointed, security based tone. Five strategies are agreed: (1) strengthening political-security cooperation in the region; (2) intensifying cooperation towards ASEAN community building; (3) enhancing ASEAN-Japan connectivity for consolidating ties between ASEAN and Japan; (4) creating together a more disaster-resilient society; and (5) addressing together common regional and global challenges. In subsequent years, Japan would attempt to build on this by attaching ‘strings’ to aid provided. For example upgrading relationships to ‘security partners’ or in the case of Vietnam, using ODA to purchase six patrol boats (see chapters 6-9).

From 2012 the issue of Chinese influence in the Mekong, and the Mekong region’s utility for Japan in dealing with China more broadly within the region, became more acutely acknowledged. The 2012 ‘Tokyo Strategy 2012 for Mekong-Japan Cooperation’ which replaced the 2009 ‘Mekong Japan Action Plan 63’ had quite different content in the ‘wider significance’ sections of the agreements - titled Strengthening Cooperation for the Stability in the Region in the 2009 agreement, and simply Regional and Global issues in the 2012 agreement. Both North Korea²⁵⁵ and United Nations Security Council reform²⁵⁶ are mentioned, however the ‘Tokyo

²⁵⁴ Note: ‘Meeting’ = Japanese only, ‘Forum’ = Japanese plus Mekong equivalents.

²⁵⁵ Because various sites are of interest for anti-ballistic missile defence observatory stations in the MRBC area.

Strategy 2012 for Mekong-Japan Cooperation' agreement also mentions issues of maritime security and conflict in the South China Sea. These additions, odd when considering that these are supposed to be Mekong related economic development policies; and the addition of the South China Seas issues, demonstrates the underlying realpolitik involved in developing relations with the Mekong and the GMS project.

Also in 2012 came announcements of a number of large aid packages and debt write-offs. An ODA package to the Mekong for \$4.5 billion came in 2007, \$5.5 billion in 2010, in April 2012 DPJ Prime Minister Noda Yoshihiko announced an increased ODA package to the Mekong states worth \$7.4 billion. Finally, in December 2013 at the Tokyo-ASEAN 40th anniversary summit, a \$20 billion ODA package to ASEAN was announced that make it hard to deny an aid based escalating competition with China in the region. A US congressional report in 2009 demonstrates increasing aggregate amounts of aid from China, and increasing amounts of aid directed to South East Asia.²⁵⁷ Figures from China must be regarded as tentative, and China's definition of 'aid' versus 'investment' does not distinguish as neatly as OECD DAC member state's might, however the trend is still worthy of note. If the figures are even close to correct, and China's aid more than tripled from \$2 billion in 2006, to \$6.7 billion in 2007, this helps to explain the beginning of a series of hikes in Japan's ODA.

Finally, immediately after taking office in December 2012 Prime Abe Shinzo flew immediately for South East Asia. In 2013 the Prime Minister has engaged in four lightning tours of the region – the first, meeting with Vietnamese, Thai and Indonesian leaders between January 16th-18th; the second, to Myanmar in May 26th (the first visit in 36 years); the third, to Singapore, Malaysia and the Philippines in July 25th-27th, and the fourth to Cambodia and Laos in November 16th-17th. Abe also hosted the ASEAN leaders in Tokyo, December 13th-15th 2013 to celebrate 40 years of Japan-ASEAN relations (at which the aforementioned \$20 billion package has been announced). Walking in the footsteps of his mentor, Koizumi Junichiro, Prime Minister Abe has shown an equal interest in the Mekong region and the importance of sub-national integration. Announcements from China in 2014 of regional institutional challenges to Japan with the New Development Bank or 'BRIC Bank, the Asian Infrastructure Investment Bank (AIIB) and the \$40 billion Silk Road Fund demonstrate a rising concern from China about Japan in the region. Japan's response in May 2015 of announcing further aid packages worth \$110 billion over five years, \$10 billion more than the AIIB's initial \$100 billion capitalisation, and this should be used towards 'high quality infrastructure' (as opposed to cheap, read China, infrastructure) further adds credence to the notion that there is a financial 'arms race' developing between Japan and China centring on the Mekong.²⁵⁸ As Taniguchi Tomohiko points out:

Japan's underlying intentions toward the Asian economies, especially in the Mekong delta region, have not changed significantly. What has changed is that there is now a sense of urgency and crisis among many Japanese bipartisan policymakers that the Mekong sub-region is going to be a 'playground' for the Chinese. Unless Japan and other like-minded democracies do the job, it will be carried out solely by the giant neighbour, the People's Republic of China.²⁵⁹

5.2 THE MEKONG RIVER BASIN COUNTRIES: FORMS OF STATE

At this point, a move must be made from a regional view to a nation-state view. Cox's version of hegemony admits multiple actors from civil society into frame, however ultimately it is the state that both represents the balance of class dynamics within the state-society complex, and

²⁵⁶ Because Japan apparently has MRBC state's support to become a permanent UN security council member

²⁵⁷ Lum, Thomas., Fisher, Hannah., Gomez-Granger, Julissa. & LeLand, Anne. [Online] 'China's Foreign Aid Activities in Africa, Latin America and South East Asia'. *Congressional Research Service*, 25.02.2009 (accessed 09.10.2013), table 19

²⁵⁸ Kameda, Masaaki. [Online] 'Abe announces \$110 billion in aid for 'high-quality' infrastructure in Asia'. *Japan Times*, May 22nd 2015. Available at <http://www.japantimes.co.jp/news/2015/05/22/business/abe-announces-110-billion-in-aid-for-high-quality-infrastructure-in-asia/#.VWq12mSqpHy> (accessed 23.05.2015)

²⁵⁹ Quoted from Makino, Catherine. (2009) 'Japan: Fresh aid to Mekong signals rivalry with China', *Inter-Press Service*, 11th November 2009 [Online], accessed 10.11.2013.

In addition, a senior Asian Development Bank official responsible for the Mekong has confirmed to this researcher that Japanese officials are indeed 'aware' of the issue (his diplomatic language really having meant 'concerned'). Interview with interviewee 2

responds to world orders. Thus, the goal of Japan's hegemony is to encourage or enhance a form of state that exists stably upon established social group power relations, and a state that is open to the imperatives of world order structures. Recognising not only the importance of states but also the form of state is important so as to identify similarities and differences. This can help to recognise where and why Japan's hegemony is more or less progressed in certain places than other places. However, the key point of the argument here is to recognise *similarities* across the Mekong states. Given that as Cox argues, the ne-liberal/hyper-liberal current world order simultaneously requires a great deal of authoritarianism to maintain itself, the ideal form of state to work with is authoritarian, outward looking, and willing to accept that their country's future lies with the global economy and its transnational elites. In each of the GMS countries, Japan benefits from this. That statement may seem strange given that for example, Thailand is a constitutional monarchy while Laos is a Communist one party state. However, it is the viewpoint moving forward that despite these regime type differences, all of the Mekong states demonstrate a fundamental authoritarianism, along with accompanying high levels of corruption, clientalism, and tripartism between state, bureaucracies, and large corporations (often part of or otherwise tied to the state). This is why Thailand, one of the most successful economies of Southeast Asia can thrive while all the while being frequently ruled by generals and an all powerful 'network monarchy', and why Vietnam can thrive despite being a one party Socialist state. Military backed monarchy or military backed Communist party, it does not matter so long as the world economic order is accepted; and that economic world order prefers authoritarian states in any form.

5.2.1 Thailand: the 'Network Monarchy' State

A bloodless revolution in 1932 ended the absolute monarchy, which was quickly followed by a royalist attempt to reverse it. Since then this pattern of coup and counter-coup has continued in repeated cycles of varying lengths and intensities. Since this original coup, there have been sixteen coup d'états (often resulting in a new constitution) and seven non-successful abortive coup attempts; seventeen constitutions; and thirty-one different Prime Ministers (with many of the early military Prime Ministers serving on multiple occasions). Experiencing a coup d'état on average every five years, receiving a new constitution on average every five years, and witnessing a new political leader on average every three years, the Thai people continue to live in a kingdom with highly unstable political institutions that are still heavily authoritarian; what Thak Chaloemtiarana dubs 'despotic paternalism'.²⁶⁰

5.2.1.1 Struggle and Social Forces in Thailand's post-WWII History

Modern Thailand was born from its military, and Thailand's militarised monarchy came to adopt control of the Thai state with a great deal of help from Japan. Thailand's fragile 1930s represented a period of hegemonic transformation as multiple groups competed for control of the state. The figure to emerge out of this with continuing importance was Plaek Phibunsongkhram, a nationalist moderniser, often referred to simply as 'Phibun', who came to power in 1938 and became virtual dictator of Thailand and signed the treaty of alliance with the Japanese WWII imperial army that positioned the kingdom among the Axis powers. Phibun is important to Japanese-Thai relations, not only because he allied Thailand with the Japanese efforts at empire building (and his affinity with Japan after office when he moved to, and died in, Tokyo), but also because of his powerful position after WWII, when Thailand became one of Japan's first rebuilt regional relationships in the 'return to Asia' 1950s. Phibun's stamping out of Pridi Banomyong's 'Yellow Dossier' - the plan to nationalise key commodities and industries, set Thailand's future trajectory - create the basis for Thailand's private property, elite managed capitalism. From the beginning of the 1950s to the beginning of the 1970s Thailand swapped army general for army general as Prime Minister. Strongly anti-Communist and pro-Western, Thailand for much of the Cold War was the West's 'forward base' in Indochina.

²⁶⁰ Chaloemtiarana, Thak. (2007) *Thailand: The Politics of Despotic Paternalism*. Ithaca, USA: Cornell South East Asia Program Publications (2nd ed.)

This unusual position - aligned with a pro-Western world order but surrounded by states from a Communist world order - is partly explained by the high proportion of entrepreneurial Chinese in Thailand. Murray Weidenbaum and Samuel Hughes made bold claims in 1996, relating to a group of Chinese who fled after the Communist takeover in 1949 on the mainland to Southeast Asia. In their wake, the authors claim, they were responsible for the development of the Southeast Asian Newly Industrializing Economies (NIEs) who would go on to become the founding members of ASEAN and in the process internationalise their family businesses creating what the authors call a 'bamboo network' linking China with Southeast Asia.²⁶¹ The degree of integration of this minority group as opposed to other countries in Southeast Asia, has been deep, and many political and economic Thai elites having Chinese heritages - seventeen out of Thailand's twenty-nine post-WWII Prime Ministers have some form of Chinese ancestry.²⁶² The existence of this historically evolved and contemporaneously important Chinese diaspora in Thailand has led some to claim that this diaspora may have introduced capitalism into Southeast Asia, rather than the Thai monarchy-military pact.²⁶³ There is considerable evidence that families, and family groupings, dominate Thai economic life,²⁶⁴ and that of these and especially of the larger conglomerates, either ethnic Chinese or Thai-Chinese family firms (rather than individual entrepreneurships) dominate.²⁶⁵ Dennis Tachiki points out that Japanese investment in Southeast Asia, especially during the 1970s and 1980s, would often tap into the inter-firm relations and inter-personal relationships of this diaspora, with many of Japan's early joint ventures being with ethnic Chinese businesses in those countries.²⁶⁶ Although at a certain point this 'ethnic business'/'Chinese capitalism' approach fails to capture change since, after a certain point of liberalisation and Thailand's 1980s boom period, rapid expansions took place in key sectors without any significant change in management or ownership style, suggesting the importance of exogenous and formal structures to Thai corporate expansion.²⁶⁷

During the 1970s, Thailand's established state-society complex was far from a securely formed historic bloc. The beginning of the 1970s saw popular discontent explode in 1973 and 1976, with smaller disturbances throughout; particularly demonstrative of richer southern versus poorer northern grievances. Politicisation of social change centred on two groups - in northern Chiang Mai, the 'Farmers Federation of Thailand' (FFT) was formed to represent the farmers in what was largely a series of economic issues - land rights, debt, rice prices; and student unrest centred on the 'National Student Center of Thailand' (NSCT), who called for greater democracy in Thailand and greater equality for the rural populations. These protests were violently suppressed, culminating in 1976 the biggest protests in Thailand's history erupted, centring on the kingdom's top university Thammasat University; a topic which remains a taboo in Thailand

²⁶¹ Weidenbaum, Murray, & Hughes, Samuel. (1996) *Bamboo Network: How Expatriate Chinese Entrepreneurs Are Creating a New Economic Superpower in Asia*. New York: The Free Press, Martin Kessler Books

²⁶² Phraya Manopakorn Nititada, Phraya Phahon Phonphayuhasena, Plaek Phibunsongkhram, Pridi Banomyong, Thawan Thamrongnawasawat, Pote Sarasin, Thanin Kraivichien, Chatichai Choonhavan, Anand Panyarachun, Suchinda Kraprayoon, Chuan Leekpai, Banham Silpa-archa, Chavalit Yongchaiyudh, Thaksin Shinawatra, Surayud Chulanont, Samak Sundaravej, Yingluck Shinawatra

Without discernable Chinese heritages: Khuang Aphaiwong, Tawee Boonyaket, Seni Pramoj, Sarit Thanarat, Sanya Dharmasakti, Kukrit Pramoj, Thanom Kittikachorn, Kriangsak Chamanan, Prem, Tinsulanonda, Somchai Wongsawat, Chaovarat Chanweerakul, Abhisit Vejjajiva

²⁶³ Yu, Chun-Hsun. (2007) 'Capitalist Development and the Overseas Chinese Economy: Thailand'. *The Developing Economies*, Vol. 9, Issue 3, pp246-267; Cushman, Jennifer. W. (1989) 'The Chinese in Thailand'. In Suryadinata, Leo. (ed.) *The Ethnic Chinese in the ASEAN States: Bibliographical Essays*. Singapore: Institute of Southeast Asian Studies Press

²⁶⁴ In a descriptive and inferential statistical analysis of families and business in Thailand surveying 93 business families and 586 family firms, Marianne Bertrand *et al* find that family size and especially number of sons, correlates positively with how many are directly involved in the companies rather than instead utilizing outside managers.

- Bertrand, Marianne., Johnson, Simon., Samphantharak, Krislert. & Schoar, Antoinette. (2008) 'Mixing family with business: A study of Thai business groups and the families behind them'. *Journal of Financial Economics*, Vol. 88, pp466-498

²⁶⁵ Suehiro Akira finds that of the top 100 companies in Thailand, 'independent large firms not belonging to any group' represented only 5 companies. See: Suehiro, Akira. (1989) *Capital Accumulation in Thailand, 1855-1985*. Tokyo: UNESCO The Centre for East Asian Cultural Studies. In a later and wider analysis, Suehiro demonstrates that of 220 business groups in Thailand a huge 88 per cent are of 'Chinese' or 'Thai-Chinese' ancestry. See: Suehiro, Akira. & Wailersak, Natenapha. (2004) 'Family Business in Thailand: Its Management, Governance, and Future Challenges'. *ASEAN Economic Bulletin*, Vol. 21, No. 1, pp81-93

²⁶⁶ Tachiki, Dennis. (2005) 'Between Foreign Direct Investment and Regionalism: The Role of Japanese Production Networks'. In Pempel, T. J. (ed.) *Remapping East Asia: The Construction of a Region*. Ithaca, NY: Cornell University Press, p158

²⁶⁷ Suehiro, Akira. (2003) 'Determinants of Business Capability in Thailand'. In Jomo, K. S. & Folk, Brian. C. (eds.) *Ethnic Business: Chinese Capitalism in Southeast Asia*. New York: Routledge; Handley, Paul. (2003) 'De-mythologizing Charoen Pokphand: an Interpretive Picture of the CP Groups Growth and Diversification'. In Jomo, K. S. & Folk, Brian. C. (eds.) *Ethnic Business: Chinese Capitalism in Southeast Asia*. New York: Routledge

today.²⁶⁸ Death squads were established to hunt out union, student and other ‘troublemakers’, especially in Thailand’s northern provinces of Chiang Mai and Chiang Rai.²⁶⁹ Elites were scared that neighbouring tensions in Cambodia and Vietnam were spilling over into Thailand and that a similar Communist transformation as had occurred in Indochina could happen in Thailand. Standing behind them was the US. Death squads that can be traced up to today’s ‘black shirts’ were the product of counter-insurgency training,²⁷⁰ protection (and control) of the King came with CIA support,²⁷¹ in addition to CIA support for the King’s image at home and diplomatic protection against criticism abroad.²⁷²

In the middle of the 1980s, under General Prem Tinsulanonda, Thailand began to switch from an economic philosophy of inward industrialisation and industrial substitution industrialisation (the Thai king seems to have maintained a version of this with his vaguely defined ‘self sufficiency’ philosophy) towards a more outwardly looking desire to attract foreign investment and connect Thailand’s financial systems into global financial capitalism. The 1997 Asian Financial Crisis that resulted, originating in Thailand, laid bare the ineptitude of the ruling elite and sparked structural political unrest that remains to this day. Pangs of democracy began to emerge but having been ruled by a military junta for four decades, it was a distorted democracy. Unstable coalitions (frequent party hopping), patron-client relationships,²⁷³ and outright vote buying all became standard practice.²⁷⁴ The Thai state saw the change and Bidhya Bowornwathana argues that Thai bureaucrats, especially after the crisis “[m]ore and more, ... perceived the importance of elected politicians as the new ‘patrons’ who can support career advance in the bureaucracy”.²⁷⁵ The crisis also opened wider these aforementioned regional

²⁶⁸ A minute by minute account of events on October 6th, the day of the protest, can be found in Ungphakorn, Puey (1977) ‘Violence and the Military Coup in Thailand’. *Bulletin of Concerned Asian Scholars Special Supplement on ‘October 1976: The Coup in Thailand’*, Vol. 9, No. 3, July-September

²⁶⁹ Haberkorn, Tyrell. (2011) *Revolution Interrupted: Farmers, Students, Law, and Violence in Northern Thailand*. Wisconsin: University of Wisconsin Press

Activist students, critical journalists, socialists and unionists, and organised farmers in the FFT were harassed or extra-judicially murdered by the military - between March 1974 and September 1979, 33 assassinations of farm leaders took place, 8 seriously injured and 5 disappeared.

- Haberkorn, Tyrell. (2009) ‘An Unfinished Past: Assassination and the 1974 Land Rent Control Act in Northern Thailand’. *Critical Asian Studies*, Vol. 41, No.1, pp3-35

²⁷⁰ The ‘Red Gauris’, the ‘Village Scouts’ and ‘Power of Nine’ (Nawaphon) were used, with the support of the US, to work against the student and farmer protesters. ‘Memorandum: Resources for Unconventional Warfare’, SE. Asia, Brigadier General. Edward G. Lansdale to Gen. Maxwell D. Taylor (July, 1961). Source: *The Pentagon Papers, Vol. 02* (1972). Available at <https://www.mtholyoke.edu/acad/intrel/pentagon2/doc100.htm> (accessed 29.01.2014). This excerpt and others from the Pentagon Papers (available at <http://www.cc.gatech.edu/~tpilsch/PentagonPapers.html>) show clearly the US counter-insurgency efforts in Thailand

²⁷¹ The ‘Village Scouts’, a Special Forces division of the Thai army rangers, aerial reconnaissance units, were even providing personal security for the King. ‘Whoever controls the palace guard in Thailand, controls the crown’, claims an ex-CIA agent in the Washington Post, and the CIA has trained and controlled this elite 60 man member of the Thai palace guards since the 1950s (Anderson, Jack. & Whitten, Lee. ‘CIA Agents Trained Palace Guards’, *Washington Post*, 26.02.1975 – available at <http://jfk.hood.edu/Collection/Weisberg%20Subject%20Index%20Files/C%20Disk/CIA%20Domestic%20Intelligence%20Part%202/Item%20069.pdf>. Also see: US State Department Cable (from: Secretary of State, to: US Embassy, Bangkok). Subject: *Anderson Alleges CIA Influence in Palace Guard*, cable: STATE043545, Feb. 1975. Declassified and Released, July 5th 2005. Available at http://thaipoliticalprisoners.files.wordpress.com/2009/01/palace-guards_1975.pdf (accessed 02.02.2014)

²⁷² the CIA and US in general have had a role in both creating a favourable public image for the king. See US State Department Cable (from: US Embassy Bangkok, to Secretary of State, Washington). Subject: *Message from Ambassador Unger to William Graves National Geographic Society*, cable: BANGKO05085301116Z, March 30th 1973. Declassified and Released June 30th, 2005. Available at http://thaipoliticalprisoners.files.wordpress.com/2009/01/palace_nat-geog_1973.pdf (accessed 02.02.2014). In addition, attempts have been made to prevent criticism of both the king and others in the royal family, even going so far as to limit criticism within Sweden. See: US State Department Cable (from: US Embassy Bangkok, to: US Embassy Stockholm). Subject: *Recall of Thai Ambassador to Sweden*, cable: BANGKO18977071048Z, Dec 7th 1973. Declassified and Released June 30th, 2005. Available at http://thaipoliticalprisoners.files.wordpress.com/2009/01/king_sweden_1973.pdf (accessed 02.02.2014).

Attempts have also been made to stop news stories and photographs from UK outlets being published in the US media.

See: US State Department Cable (from: US Ambassador Bangkok, to: US Secretary of State Washington). Subject: *Possible Publication of a story damaging to Queen Sirikit*, cable: BANGKO02439111402Z, Feb 11th 1975. Declassified July 5th, 2006. Available at <https://thaipoliticalprisoners.wordpress.com/tag/critical-asian-studies/> (accessed 02.02.2014)

²⁷³ See: Bjarnegard, Elin. (2013) ‘Who’s the Perfect Politician? Clientalism as a Defining Feature of Thai politics’. In Tomsa, Durk. & Ufen, Andreas. (eds.) *Party Politics in Southeast Asia: Clientelism and Electoral Competition in Indonesia, Thailand and the Philippines*. New York: Routledge; Sirivunnabood, Punchada. (2013) *Building Local Party Organisations in Thailand: Strengthening Party Rootedness or Serving Elites Interests?* In Tomsa, Durk. & Ufen, Andreas. (eds.) *Party Politics in Southeast Asia: Clientelism and Electoral Competition in Indonesia, Thailand and the Philippines*. New York: Routledge; McVey, Ruth. T. (2000) *Money and Power in Provincial Thailand*. Denmark: Nordic Institute of Asian Studies

²⁷⁴ Callahan, William. & McCargo, Duncan. (1996) ‘Vote buying in Thailand’s Northeast: The July 1995 General Election’. *Asian Survey*, Vol. 36, No. 4, pp376-392

²⁷⁵ Bowornwathana, Bidhya. (2001) ‘Thailand: Bureaucracy Under Coalition Governments’. In Burns, John. P. & Bowornwathana, Bidhya. (eds.) *Civil Service Systems in Asia*. Cheltenham: Edward Elgar Publishing Ltd

economic and social disparities, which disproportionately affected the poor - tripling unemployment from 1.2 per cent in 1997 to 3.6 per cent in 1998,²⁷⁶ decreasing real incomes disproportionately for those with an elementary education or below and low skilled,²⁷⁷ casting a majority of women out of the labour force (women accounted for 43 per cent of redundancies);²⁷⁸ and increasing food prices at a difficult time by 10 per cent.²⁷⁹ It is from this context that Thaksin Shinawatra came to power.

Ostensibly populist, Thaksin Shinawatra entered Thai politics with his own party – ‘Thai Rak Thai’ (Thai’s Love Thai’s), which would go on to win the 2001, 2005 and 2006 elections with large majorities, and was the first Prime Minister to fulfil a full term of office. He courted the poor northern regions by adopting populist policies - hospital subsidies, micro-credit loans and debt restructuring, and government-led small business projects. However far from a ‘man of the people’ interested in greater democratisation, Thaksin represents an even purer form of capitalism, neo-liberal capitalism, that upsets key strata of Thailand’s conservative elite,²⁸⁰ and in 2006, while aboard on a business trip; he was charged with corruption and removed by military coup, an event probably orchestrated by Privy Councillor Prem. This has led to yearly confrontations between ‘red shirts’ (the ‘Thai Rak Thai’ party re-born as the ‘People’s Power Party’) that support Thaksin and are overwhelmingly drawn from the northern regions of Thailand; and the ‘yellow shirts’ (‘People’s Alliance for Democracy’) that are urban, monarchist, and pro-military coup in any instance. Despite overwhelmingly winning elections in 2006, 2008 and 2010, Thailand’s conservative elite has maintained their control on authority through military coup, Supreme Court ruling, and the use of para-military ‘black shirts’ (reincarnations of the 1970s counter-insurgency period). Thaksin’s sister, Yingluck Shinawatra, finally representing the People’s Power Party in government as leader of the kingdom, she was ousted by retired army officer Prayut Chan-o-cha who became Prime Minister in August 2014. Witnessing first-hand this transition in 2014, protests had died down in the capital but television media was dominated by Prayut’s dictums on the need for ‘more social respect and less democracy’. This is more than a clash of classes, or a clash of democratisers versus conservatives. It is a clash of alternate world orders, as differing forms of capitalism have been favoured by differing sections of Thailand’s elite; leaving significant sections of the population on the wrong side of shifting divides. As Milton Osborne concludes on modern Thailand:

It is about time we stop thinking of Thailand as land of smiles. It is a country which has a very high homicide rate. Its politics, particularly before the 1997 constitution was brought in, was one in which godfathers ruled much of the country and engaged in considerable political violence. What we are seeing now [in the current protests] is the evolving Thai society, and I think the evolution has some way to go.²⁸¹

5.2.1.2 The Network Monarchy

The form of state that has developed atop this militarised capitalism is usually centred on the king and monarchy; the conduit for hegemonic forces from the Thai state to international power

²⁷⁶ Gragnaloti, Michelle. (2001) ‘The Social Impact of Financial Crisis in East Asia: Evidence from the Philippines, Indonesia and Thailand’. *World Bank: Environment and Social Development Unit (EASES) Discussion Series*. [Online] Available at http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2001/08/29/00009496_01081504110124/Rendered/PDF/multi0page.pdf (accessed 19.02.2014)

²⁷⁷ *ibid.*, Gragnaloti (2001)

²⁷⁸ United Nations Economic and Social Commission for Asia and the Pacific (2002) *Protecting Marginalised Groups During Economic Downturns: Lessons from the Asian Experience*. New York: United Nations. [Online] Available at <http://www.unescap.org/dpad/publication/protecting%20marginalized%20groups/Protecting%20Marginalized%20Groups.pdf> (accessed 19.02.2014)

²⁷⁹ Ramesh, M (2009) ‘Economic Crisis and its Social Impacts: Lessons from the 1997 Asian Economic Crisis’. In *Global Social Policy*, Vol. 9, No. 79, pp79-99

²⁸⁰ Thaksin gave the military an extra justification for existence by launching a wide ranging anti drug campaign to ‘clean up’ Thailand’s image, leading to the extra-judicial arrest and killing of many ‘suspects’. However in 2002 he abolished the Southern Border Provinces Administrative Centre (SBPAC), one of three Cold War era entities that justifies military budgets in order to fight the southern insurgents [the other two are the Office of the National Security Council (NSC), and the Internal Security Operations Command (ISOC)] After the coup d’etat that would remove Thaksin in 2006, the SBPAC was quickly re-established and given a greater role. General Prem, the queen, and the Thai military all have vested interests in the southern borders conflict that Thaksin was attempting to meddle with.

²⁸¹ Osborne, Milton. (2010) ‘Troubled Thailand’. *Lowy Institute for International Policy: Lowy Lecture Series*, 09.06.2010

structures. The monarchy, or rather the Privy Council, exists in tandem with a tripartite alliance between the military-state corporations (which often have links to the different strands of the monarchy). This elite structure of the dominant hegemonic class in Thailand bears a striking similarity to Japan's 'iron triangle', and if ideology is removed, such tripartite structures of state also have crossovers with the Communist former Indochina states now aligning with global capitalism. The modern Thai monarchy traces its hegemonic position to King Chulalongkorn, a moderniser who desired to name Siam's independence in an age of empire. With parallels to Japan's Emperor Meiji and surrounding *genrō* (Meiji Oligarchs) who were embarking on a similar enterprise at the same time,²⁸² Chulalongkorn transitioned Thailand from the classically medieval political organisation of 'mandalas' (a variation of a city-state system) towards the modern nation-state model. However similar to the way the Japanese Edo-period shogunate used the symbolic power of the emperor to shield themselves, the Thai monarchy is the fig leaf of the Thai military. Far from a passive figurehead, the king and monarchy, with the help of the Thai military, has built up its status since the end of the 1950s. It regularly intervenes in civil society through the use of *lese majeste* laws,²⁸³ manipulates socio-political discourse and symbolism,²⁸⁴ and is a highly significant actor in Thailand's domestic and international political-economy through the operations of the Crown Property Bureau,²⁸⁵ or simply by owning large areas of prime real-estate across the country and in Bangkok.²⁸⁶ These monarchy owned sites have in recent times of protest been victim to anti-hegemonic graffiti, a subversive attempt by Thai protestors while attempting to sail under the strict *lese majeste* laws.²⁸⁷

Academic works on the Thai king and Thai monarchy are few, due to the secrecy surrounding the institution, but what works do exist are highly critical of the role of the institution in Thai social, economic and political life.²⁸⁸ The scholarly consensus concludes with the warning that we should not regard the Thai monarchy in the same way political scientists understand European monarchies. Instead, it is a fundamentally illiberal institution, a 'networked monarchy',²⁸⁹ embedded within and across all layers of Thai society. In Duncan McCargo's

²⁸² Political scientist Likhit Dhiravegin has compared the 'Chakri Reformation' with the Meiji Modernisation.

Dhiravegin, Likhit. (1975) *Siam and Colonialism, 1855-1909: An analysis of diplomatic relations*. Bangkok: Thai Watana Panich
²⁸³ Political influence is exercised in two ways – intervening in the democratic process either directly through the King or indirectly through the Privy Council to pick winners, and through the use and abuse of '*lese-majeste*' laws (Article 12 of the criminal code), which prohibit criticism of the King and any of the royal family. See: Streckfuss, D. & Eawsakul, T. (2009) *Speaking the Unspeakable: Lèse-Majesté and the Monarchy in Thailand*. [Online] <http://thaipoliticalprisoners.files.wordpress.com/2009/01/streckfuss-and-thanapol.pdf> (accessed 27.02.2014), p14

²⁸⁴ Political discourse in the kingdom favours the ideological triumvirate – *chart* (nation), *sasana* (religion), and *phra mahakasat* (king). Christine Gray explains this as the Thai capitalist state, using language – both everyday and that used by the Buddhism accessing court – to form of social control over the political economy; gathering upon the figure of the King a prestige to be economically associated with, especially in the field of development. See: Gray, Christine. (1991) 'Hegemonic Images: Language and Silence in the Royal Thai Polity'. *Man (new series)*, Vol. 26, No. 1, pp43-65

²⁸⁵ The 'Crown Property Bureau', governed by the Privy Council, is one of the world's largest asset management corporations. Operating along three 'pillars' – land, banking and cement – (and nowadays, commercial ventures also) its origins lie in the Privy Purse Bureau which historically desired to compete with, and stay independent of, colonial capital and influence in the modernisation process. Major shareholder in Siam Commercial Bank; Siam Cement Group (SCG) (formerly Siam Cement), and expanding from the 1960s to absorb companies involved in paper, iron, steel, battery and petrochemical production. By 1986 it had become the largest conglomerate not only in Thailand but also Southeast Asia. The Crown Property Bureau prior to the 1997 crash possessed direct investments in 90 companies and indirect investments in 300 more, spanning the full range of large scale economic activity. See: Ouyyanont, Porphant. (2007) 'The Crown Property Bureau in Thailand and the crisis of 1997'. *Journal of Contemporary Asia*, Vol. 38, No. 1, pp166-189

²⁸⁶ The Thai monarchy owns around 13,000-acres of land in Thailand (3000 acres in Bangkok), and while this ownership may be dispersed around the city, it is concentrated in the proprietorship of Thailand's biggest commercial district - Mellor, William. (2007) 'Thai King Strengthens Grip on Stocks as Nation's No. 1 Investor'. *Bloomberg*, 31st July 2007. [Online] <http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aZ0o4kBLphDs> (accessed 24.02.2014)

²⁸⁷ Unaldi, Serhat. (2013) 'Working Towards the Monarchy and its Discontents: Anti-royal Graffiti in Downtown Bangkok'. *Journal of Contemporary Asia*, Vol. 44, Issue 3, pp1-27

²⁸⁸ Handley, Paul. (2006) *The King Never Smiles: A Biography of Thailand's Bhumibol Adulyadej*. New Haven: Yale University Press; Ivarrson, Soren. & Isager, Lotte. (2010) *Saying the Unsayable: Monarchy and Democracy in Thailand*. Copenhagen: Nordic Institute of Asian Studies

In 2012, seemingly to answer the critical tide of inquiry, an official palace supported collection was released with *King Bhumibol Adulyadej, A Life's Work: Thailand's Monarchy in Perspective*. However the collection fails to answer many of the key questions that scholarly attention has about the monarchy, past and present. See: Grossman, Nicholas. & Faulder, Dominic. (2012) *King Bhumibol Adulyadej, A Life's Work: Thailand's Monarchy in Perspective*, Singapore: Editions Didier Millet

²⁸⁹ The classic scholarly characterisation of the Thai system was Fred Rigg's 1966 definition of a 'Bureaucratic Polity'. - Riggs, Fred. W. (1966) *Thailand: The Modernisation of a Bureaucratic Polity*. Honolulu HI: East West Centre Press
 Recent scholarship however leans more on Duncan McCargo's concept of 'Network Monarchy'. In McCargo's definition of a Thai network monarchy, the Thai political system represents a number of competing networks, primarily managed by 'good men' rather

thinking it is fundamentally illiberal because "...[I]n a hierarchical monarchy, the throne would gain credit for successes – but would also be blamed when matters went wrong. In a network monarchy, the throne would gain credit for successes, but the failures of a 'decadent system' would be blamed on others – primarily on corrupt and allegedly self-serving politicians".²⁹⁰ US diplomatic cables reveal something even more complex than network monarchy, what could be called 'Factional Monarchy'. In attempting to predict the short and long term fall out from the King's imminent death, the US embassy in Bangkok paints a picture of calculations within the palace of "multiple circles of players and influence surrounding the Thai royal family", centring on divides between a King's circle, a Queen's circle and the heir apparent Prince's circle, which each having separate channels of contacts and finance that they actively use.²⁹¹

5.2.2 Vietnam: the 'New Class' State

When France's Napoleon III invaded in 1858, Vietnam's entire world order shifted. A series of engagements, when France declared the Indochinese Union Vietnam lost its sovereignty and became a French Protectorate. Counter hegemonic resistance to the French came largely from the anti-imperialist Communists, with the first Marxist grouping forming in 1925 with the Vietnam Revolutionary Youth League by Ho Chi Minh. In 1930, this became the Vietnamese Communist Party, part of the Indochinese Communist Party, and by 1941, this had developed into the League for the Independence of Vietnam (aka: the Viet Minh), all under Ho Chi Minh. The two halves of the country divided between alternate historic-blocs: capitalism, modernisation, and Westernisation in the south and Communist resistance and anti-imperialism in the north. Formal colonialism did not end with the end of WWII. The end of WWII meant the end of Japanese hegemony, but the re-emergence of French colonialism as France attempted to revive old structures. Vietnam would suffer through three Indochina wars that were a combination of Cold War geo-political realpolitik; nation-state formation as Vietnam transitioned from colonial structures towards the structures expected of a modern nation-state; internal social group competition as Northern forces and Southern forces fought for control over that fledgling state; and nationalism, as a historically divided country is brought together for the first significant time in over a century - successfully achieved in 1975 with the fall of Saigon to Ho Chi Minh's forces. A historical structure had been created where the social relations of production (communism and central planning) had triumphed to create a form of state (Socialist republic) led by a new hegemonic class (the Communist party). Vietnam aligned itself with the USSR, while neighbouring Cambodia aligned with China, whose Khmer Rouge China had effectively created. In 1978, Vietnam invaded Cambodia and remained there until 1990 for the third Indochina War or the Cambodian-Vietnamese War. This decision by Vietnam to invade Cambodia arguably created the phenomena of the 'late comer' economies and stumbled earlier Japanese plans for leadership in the Mekong.

5.2.2.1 Social Forces and the 'New Class' in Vietnam

The USSR, Vietnam's former world order model, was composed of a 'nomenklatura', a class of Communist party officials and bureaucrats who wielded the arms of the state essentially for their own status and benefit. Best expressed by Yugoslavian dissident Milovan Dilas's 'New Class' theory, the idea proposes that communism had been reduced to a cadre of bureaucrats and apparatchiks, a technocratic 'New Class'.²⁹² To maintain the current state-society complex a number of new social forces are required – corruption (at all levels of society), patron-client networks, and tolerated freedom so long as nothing said or done embarrasses the state (this is encapsulated in "the three no's").²⁹³ Dilas was not writing about Vietnam in the 21st century, but

than formal institutions, and centering on the 'sub system' that is the King. See: McCargo, Duncan. (2005) 'Network Monarchy and Legitimacy Crisis in Thailand'. *The Pacific Review*, Vol. 18, No. 4, pp499-519

²⁹⁰ *ibid.*, McCargo (2005), p. 503. - p. 504.

²⁹¹ US Diplomatic Cable (from: US Embassy Bangkok, to: US State Department) Subject: *Thailand: Circle of Influence Inside the Institution of the Monarchy in King Bhumibol's Twilight*. cable: BANGKOK002967, 23rd November 2009. Available at <http://wikileaks.org/cable/2009/11/09BANGKOK2967.html>. ref: 09BANGKOK2967 (accessed 05.02.2014)

²⁹² Dilas, Milovan. (1985) *The New Class: An Analysis of the Communist System*. San Diego, New York, London: Harvest/HBJ.

²⁹³ Characterised by James Morley as: (1) No calling into question the leadership of the Communist party, (2) No calling into question the one party state, and (3) No pluralism, or multi-party democracy.

he might as well have been.²⁹⁴ The 1992 constitution of Vietnam defines the Communist party as “the force leading state and society”,²⁹⁵ a slight softening over the 1980 constitution where the party was ‘the only force...’ (implying in the newer version that there could be *other* forces).²⁹⁶

Plans to become an industrial country by 2020 are creating a new capitalist elite within the cocoon of a communist state. This newly gestating rent-seeking elite is, according to Trinh Duy Luan, composed of three types of actor in Vietnam: people in positions of administrative power; people who control economic capital; people with prestige, experience and employable skills.²⁹⁷ This means that those in positions close to for example, foreign affairs, trade or customs, infrastructure or energy, are able to get rich quick. The World Bank estimates that Vietnam had in 2003 what it calls thirty-four ‘super rich’, while a decade later in 2013, it had tripled to 110.²⁹⁸ Given the lack of proper accounting standards and rampant corruption in Vietnam, those numbers are probably on the very under-estimated side. It is not at all difficult to see this new elite in Vietnam – they are the only ones driving cars and playing golf.²⁹⁹

The glue holding this class contradiction together is corruption. It is endemic in Vietnam, and is not a secret. In 2012, the World Bank conducted a sociological survey across the entire country, surveying citizens and public officials. On average 81 per cent of citizens believe corruption is prevalent (disproportionately higher percentages for ‘those who considered themselves rich’), while 78 per cent of public officials believe the same (with central government disproportionately believed to be corrupt compared to communes).³⁰⁰ Liberals and economists, many of whom work at the Bretton Woods institutions, argue that corruption is the result of market anomalies or failures; that corruption is a way of circumventing a systemic block to free exchange, or otherwise exists in a place where a fully developed market does not exist. This is incorrect. Rather, Bill Hayton’s analysis is more appropriate. He regards Vietnam’s corruption as a systemic means of political control and helps maintain the Communist party’s position:

Now that it [corruption] is established, those who don’t take bribes are regarded by their colleagues and superiors as potential whistle-blowers who could undermine their position. Corruption is a way of maintaining loyalty. Low pay keeps junior officials dependent on senior ones for allocating them money and favours. However, perhaps more crucially, corruption allows the system to bend rather than break. The whole structure of laws and regulations is so complex and rigid that if it were not for graft it would have either broken or provoked so much resentment that there might have been active resistance to it. By allowing individuals to negotiate their way around its obstacles, corruption actually helps the system to fend off demands for wider reform.³⁰¹

5.2.2.2 The State of Vietnam

Between 1975 and 1986 the new government of Vietnam had ruled by decree, however their first and second Five Year Plans had failed. With almost their entire twentieth century history

Morley, James. W. (1997) ‘Politics in Transition’. In Morley, James, W. & Nishihara, Masashi (eds.) *Vietnam Joins the World*. New York and London: ME Sharp, p. 23.

²⁹⁴ Although Scott Cheshire has, in a very good unpublished PhD thesis that applies New Class theory to Vietnamese elites. See: Cheshire, Scott. C. (2010) *The New Class in Vietnam*. Unpublished PhD thesis, Queen Mary, University of London. [Online] <https://qmro.qmul.ac.uk/jspui/handle/123456789/443> (accessed 15.11.2014)

²⁹⁵ Constitution of Vietnam, article 4 [Online] <http://www.vietnamlaws.com/freelaws/Constitution92%28aa01%29.pdf> (accessed 15.11.2014)

²⁹⁶ Sidel, Mark. (2009) *The Constitution of Vietnam: A Contextual Analysis*. Oxford: Hart Publishing

²⁹⁷ Trinh Duy Luan quoted in Bresnan, John. (1997) ‘A Society Emerges from Crisis’. In Morley, James. W. & Nishihara, Masashi. (eds.) *Vietnam Joins the World*. New York: M.E.Sharpe

²⁹⁸ World Bank (2014) *Taking Stock: An Update on Vietnam’s Recent Economic Developments*. [Online] http://www.worldbank.org/kz/content/dam/Worldbank/document/EAP/Vietnam/Taking_Stock_July2014_EN_final.pdf (accessed 20.09.2014)

²⁹⁹ Howard, Michael. C. (2011) *Transnationalism and Society: An Introduction*. North Carolina: McFarland & Company Inc.

³⁰⁰ World Bank (2012) *Corruption from the Perspectives of Citizens, Firms and Public Officials: Results of Sociological Surveys* (2nd ed.) Hanoi: National Political Publishing House. Also available Online at http://www-wds.worldbank.org/external/default/WDSCContentServer/WDSP/IB/2013/03/13/000333037_20130313144107/Rendered/PDF/738070REVISIED0000January02013000ENG.pdf (accessed 09.08.2014), p34-36

³⁰¹ *ibid*, Hayton (2010), p. 104.

having been shaped by war, the country was economically and technologically backward. Limited assistance remained by the USSR, but this had been scaled back in order to avoid antagonizing China further, in addition to the USSR itself beginning to face its own internal economic problems. The world order was shifting as China began its ‘four modernisations’ reforms in 1986, that would open itself to market forces, and then the USSR broke up, ending the Cold War. Vietnam’s Fifth National Congress had already started work on China style reform plans by the early 1980s however in 1986 the Sixth National Congress announced *doi moi* or ‘renovation’.

Adam Fforde argues that a collision between two forces is taking place in Vietnam – the bureaucratic, Stalinist, Soviet state inherited by the northern DRV that was then expanded to the whole country upon unification, and the forces of international capitalism allowed in by *doi moi*.³⁰² Another group of observers see continuity and consolidation rather than rupture and economic transition. Gerard Sages and Scott Cheshier argue that rather than transition from ‘planned’ to ‘market’, it is more accurate to consider the parallels of state practices and structures of Vietnam’s political-economy across the colonial and post-colonial regimes in Vietnam, and that the Vietnamese state is further consolidating itself but against a changed international landscape.³⁰³ Bill Hayton suggests that arguments for the inevitable transition of Vietnam is to put the cart before the horse - capitalism is not in conflict with the Communist Party - capitalism validates and strengthens the Communist Party State.³⁰⁴ Instead of market forces working in a vacuum with progress being attributable to the corporate actors who reside within that vacuum, market forces are utilised by the Communist Party to produce its desired ends, meaning that the successes of a capitalist economy can be attributed to the wisdom and fore-thinking of the Communist Party. By injecting manageable pockets of capitalism into civil society in various stages, *doi moi* reforms can help the revolution. To the party, this is not a contradiction at all. Vietnam was a poor agrarian society when the party assumed leadership. Before socialism could take hold, capitalism would need to embed, and fall, under its own contradictions. Skipping over that intermediary step had failed to yield results during the 1970s and early 1980s and so now, the ideological line had become the purposeful creation of capitalism in order to safeguard the steady march towards the revolution and Socialist/Communist paradise. However, key here is that the party remains at the helm, and whatever direction and speed reforms take, they are always linked to the party rather than due to any unseen force.

This may be the theory, but interpreting how a Socialist one party state can exist simultaneous to opening up to global capitalism is one of the most enigmatic questions of modern International Relations. ‘State capitalism’ and its regionalisation, as being practiced by Vietnamese, and Chinese, Laotian and Cambodia elites is an alternative approach certainly open to a number of challenges:

1. It pins the legitimacy of the party not to the will of the people but the will of the market, a volatile formula.
2. The strength of the model in the context of a liberal capitalist world order depends on the regionalisation of the model. For reasons of history and power, especially in Vietnam *vis a vis* China, and its historical client Cambodia, this may prove difficult.
3. It is an open question as to how weak or powerful Vietnam’s state actually is. Localism can be a powerful force in regional state machinations, as ‘people’s councils’ and their representatives are frequently able to stymie central actors. Even at the central level, internal divisions are known to exist, especially between a conservative old guard who see the future in socialism and reformers who see a role for capitalism.

³⁰² Fforde, Adam. (2007) *Vietnamese State Industry and the Political Economy of Commercial Renaissance*. Oxford: Chandos House (Chandos Asian Studies Series: Contemporary Issues and Trends)

An additional hang-over of this institutional history is also Vietnam’s fragmented commune system. Localism can still be a powerful force in state machinations, as ‘people’s councils’ and their representatives are able to stymie central actors. Unlike China where the Beijing makes a decision and everything one locally has to snap into place or suffer the consequences, regional and sub-regional actors can block or hold up decision making, resulting in corruption or more frequently, slow decision making and delays.

³⁰³ Sages, Gerard. and Cheshier, Scott. (2012) ‘Competing legacies: rupture and continuity in Vietnamese political economy’. *South East Asia Research*, Volume 20, No. 1, pp5-33

³⁰⁴ Hayton, Bill. (2010) *Vietnam: Rising Dragon*. New Haven and London: Yale University Press

4. Vietnamese society contains many fault lines. Previously mentioned north/south divisions, a multi-ethnic nation, a developing middle class, and exacerbating urban/rural divides, all represents potential difficulties in holding together the current state-society complex. Capitalism is a divisive social force and has the real potential to pull some of these cleavages apart.
5. Vietnam's population is growing, young and in a global age of greater technological and social media penetration. As the wartime past moves further into the rear view mirror, and party cadres' become greyer, the younger generation may increasingly assert itself.

5.2.3 Cambodia: the Neo-Liberal State

David Chandler argues that Cambodia's political history is characterised by "...deep continuities or refusals, rather than calculated or prudent responses, to the rapid and often destructive influences of modern times".³⁰⁵ Indeed, this tendency towards reactivity rather than strategy is evident in Cambodia's contemporary international relations. The Geneva Accords of 1954 dealt with French colonial claims but it was left to the International Commission for Supervision and Control - Cambodia (ICSC-Cambodia) to implement the Geneva Accords and deal with the internal turmoil. Upon the departure of the ICSC-Cambodia in 1969, the 'Kingdom of Cambodia' collapsed. The Cambodian state would transmogrify into four new forms until the Kingdom's eventual return in 1993.³⁰⁶ The signing of the 'Agreement on a Comprehensive Political Settlement of the Cambodia Conflict' in Paris in 1991 (*aka* the Paris Agreement) was perhaps less significant than a world order shift - the fall of the USSR. With it, Vietnam and by proxy Cambodia, lost CMEA aid and trade, and Cambodia became dependent on the largesse of Western donors through the United Nations Transnational Authority Cambodia (UNTAC). UNTAC and Cambodia's transformation/development became the cause celebre of the Japanese state, an alignment between ODA dependent and ODA superpower. UNTAC gave (re)-birth to the 'Kingdom of Cambodia', the current entity, with the appearance of liberal processes such as elections but which were, in the words of UNTEC operative David Ashley: "intended not so much to introduce democracy as to create a legitimate and thus diplomatically recognisable government".³⁰⁷ The result was a conservative coalition: the royalist FUNCINPEC (45 per cent of the vote), the communist but later non-ideological Communist People's Party - CPP - led by Hun Sen (38 per cent of the vote), and the Buddhist Liberal Democratic Party (4 per cent of the vote). Over time FUNCINPEC declined in popularity while the CPP used repressive and intimidation to leave leader Hun Sen, a former member of the Khmer rouge, as the sixth longest serving leader in the world. Despite losing the 1993 election, and launching a coup d'état in 1997, Hun Sen remains in a position bolstered by international powers.

5.2.3.1 Hun Sen and Cambodia's Foreign Supported 'New Class'

Like many aspects of Cambodia's modern development Hun Sen is a foreign import, exogenously introduced by shifting regional and world orders. In Sen's case, installed as foreign minister by the Vietnamese when they entered and overthrew the Khmer rouge, through the KPRP and later CPP parties (that have historical roots in the transnational but Vietnamese

³⁰⁵ Chandler, David. (2008) *A History of Cambodia*. Boulder, Colorado: Westview Press (4th ed.), p. 298.

³⁰⁶ Falling to a right wing, US supported General Lon Nol, Khmer Republic was the outcome and lasting for half a decade from 1970 until 1975. This resulted in a Cold War proxy conflict being fought out in Eastern Cambodia between (1) a coalition of the Communist Party of Kampuchea (*aka*. Khmer rouge), northern Viet Minh, and a Sihanouk in exile in a supportive Beijing; and (2) US and republican Khmer forces in Phnom Penh and the Southeast of the country, adjoined to the Vietnam War. The former was victorious and between 1975-1979, 'Democratic Kampuchea' was established under Pol Pot. The Pol Pot regime was a small state replication of Maoist China, but one step further than any other Communist regime - year zero. Not only was the regime intent on seizing the state, or remoulding the economy, society itself would be destroyed and one quarter of the population with it. The cost of removing this genocidal regime was the loss of sovereignty. Cambodia's historically oppressive Eastern foe in Vietnam invaded, removed Pol Pot, and established the 'People's Republic of Kampuchea' (1979-1989) under Vietnamese suzerainty through the Khmer People's Revolutionary Party (KPRP) (formerly the Indochinese Communist Party - PCI, and forerunner of the currently in power Cambodian People's Party - CPP). Imposing social forces exogenously, Vietnam brought Leninist Socialism rather than Maoist Communism, and later trickled down the sort of *doi moi* style reforms that had quietly already began in Vietnam at the beginning of the 1980s, changing the country's name to 'The State of Cambodia' in 1989. The US and China meanwhile created the 'Coalition Government of Democratic Kampuchea' was formed in exile composed of royalism (with Sihanouk), communism (Khmer rouge) and neutralism (Khmer People's National Liberation Front).

³⁰⁷ Quoted in Vickery, Michael. (2007) *Cambodia: A Political Survey*. Phnom Penh, Funan Press, p. 6.

ordered Indochinese Communist Party) Sen established the backbone of socio-political forces outlined above, meaning that there was a pre-existing structure in place *before* UNTAC's arrival in 1992. The fact that Hun Sen and many of his regime were able to remain in position prior to *and* after the UNTAC reforms, despite losing to the royalist FUNCINPEC and instead of forming an opposition formed a coalition, demonstrates the existence and importance of this pre-embedded power structure. The UNTAC reforms simply enabled this pre-existing structure to, upon losing its former patron (Vietnam) and regional patron order (the USSR's CMEA), shift from one international benefactor to another - the West and Japan. Worse, by attempting to introduce forces of economic and political liberalism into a game that had pre-existing powerful players, UNTAC simply strengthened those asymmetric actors and structures.

These actors and structures were and are corrupt, reliant on violence for their position.³⁰⁸ David Roberts argues that this is because, despite the creation of liberal institutions, a liberal political culture was, and is not, present in Cambodia, with the ruling hegemon seeing political differences as challenges to the hegemon's entire established position and likely to be met with violence rather than a respect of difference.³⁰⁹ Corporatism - the collusion between party-state-business - has been noted by the US embassy in Phnom Penh, which catalogued Hun Sen's close relations with Cambodia's 'top ten tycoons'.³¹⁰ Tripartism - the integration of this politico-industrial class into a transnational elite, is evident marked by the conspicuous consumption of global brands that can only be afforded by state officials.³¹¹ Traditionalism has emerged, with the CPP's early dropping of political ideology in favour of 'Khmerism' and the cynical re-invigoration of the ancient title of *okya* (similar to 'lord' or 'knight') in the contemporary form of *oknha* used in a neo-patrimonial way to bestow privileges on business people.³¹² All of these characteristics of Cox's definition of a neo-liberal mode of production are evident in Cambodia.

5.2.3.2 The Contemporary Cambodian State, Social Forces and Institutions

Cambodia's state is, and has historically been, weak due to: French colonialism, being intra-regionally located between the powerful Vietnam and Thailand, and being globally positioned between the Cold War rivalry of the US, USSR and China.³¹³ It fits into what Cox's would classify as a 'protostate', i.e.: either a conservative post-colonial proto-state, a lumpenprotostate, or a proto-revolutionary state, which, in Cambodia's case, is a combination of the first and second.³¹⁴ That is, a post-colonial re-imagining of previous colonial, monarchic or oligarchic regime, with the addition of in Cox's words "...bizarre forms of arbitrary rule resting on the

³⁰⁸ In the political sphere, a survey of Hun Sen's three decade period in office by Human Rights Watch details his creation of a police state in the 1980s; violence and intimidation against opposition groups during the early 1990s - about which UNTAC was fully aware; a grenade attack against anti-government protestors, newly created labour unions and opposition leader Sam Rainsy in 1997, followed by a coup d'état and extra-judicial executions; protests over land seizures and natural resource poaching related issues were suppressed during the early millennial period; followed by elections in 2003, 2008 and 2013 that EU election observers deemed were 'neither free nor fair'

Human Rights Watch [Online] *30 Years of Hun Sen: Violence, Repression, and Corruption in Cambodia*, January 12th 2015. Available at <http://www.hrw.org/reports/2015/01/12/30-years-hun-sen-0> (accessed 10.02.2015)

³⁰⁹ Robert, David. (2002) 'Democratisation, Elite Transition, and Violence In Cambodia, 1991-1999'. *Critical Asian Studies*, Vol. 34, No. 4, pp520-538

³¹⁰ US Diplomatic Cable (from: US Embassy Phnom Penh, to US Secretary of State) Subject: *Cambodia's Top Ten Tycoons*. Cable: 07PHNOMPENH1034, September 8th 2007. Available at <https://wikileaks.org/cable/2007/08/07PHNOMPENH1034.html>, 07PHNOMPENH1034 (accessed 15.02.2015)

³¹¹ It is widely known in Cambodia that those who drive expensive cars will be government officials. It is also widely known that Cambodia has terrible roads. Cambodia's government officials do not seem to mind, and go ahead buying Rolls Royce automobiles, a fact that prompted the company to open a showroom in 2014 in the capital

See: Peel, Michael [Online] 'Rolls-Royces And Rags Mix On Phnom Penh's Streets'. *Financial Times*, July 18th 2014. Available at <http://www.ft.com/intl/cms/s/0/c5379066-0e59-11e4-b1c4-00144feabdc0.html#axzz3RzqmDmXt> (accessed 10.09.2014)

³¹² The title costs around \$100,000 and then can become a gateway towards accessing government contracts. Usually the title's function is for Cambodians to gain influence within political structures, however it can also be used to attract foreign investors (as tax breaks, project license approvals and status also result) and there are currently Japanese, Korean and Malaysian *oknha*. - Interview with interviewee 22.

Also see: Odom, Sek. & Henderson, Simon. [Online] 'As Oknha Ranks Grow, Honorific Loses Meaning'. *The Cambodia Daily*, June 21st 2014. Available at <https://www.cambodiadaily.com/archives/as-oknha-ranks-grow-honorific-loses-meaning-62057/> (accessed 05.09.2014)

³¹³ Lizee, Pierre. (1996) 'The Evolution of Great Power Involvement in Cambodia'. In Wurfel, David. & Burton, Bruce. (eds.) *Southeast Asia in the New World Order: The Political Economy of a Dynamic Region*. London: Macmillan Press Ltd (Macmillan International Political Economy Series)

³¹⁴ Cox, Robert. W. (1987) *Production, Power and World Order: Social Forces in the Making of History*. New York: Columbia University Press

violence of armed thugs over an inarticulate majority of the population”.³¹⁵ It is a state characterised by the interplay between a single party and autonomous elite, and external actors within the world economy, connected together by neo-patrimonial networks and corruption.³¹⁶ In line with regional Mekong state norms,³¹⁷ power does not reside in UNTAC’s democratic institutions. It resides within these embedded networks of favouritism, and the appearance of democracy has only the amount of utility as is required to please world powers - what Sebastian Strangio calls ‘the mirage on the Mekong’.³¹⁸

Cambodia’s patrimonialism, clientalism and corruption share commonalities with neighbouring Mekong state-society complexes but have uniquely Cambodian roots. Sheila Scopis explains this anthropologically, calling the Cambodian system a ‘string economy’ or *khsae*.³¹⁹ ‘Strings’ refers to the neo-patrimonial networks that bind the CPP party with state ministries and private business figures. The complete destruction of the Cambodian state by the inter-Kingdom of Cambodia years decimated state functioning, unlike Thailand or even Vietnam where the state remained intact. The result in Cambodia was the hasty import of the only governance model that was recognised by all - the patrimonial village system.³²⁰ The result is rampant corruption at all levels, and ministries that each try to protect their patrimonial network rather than working together.³²¹ In contrast, Hutchison *et al* argue that the social forces shaping Cambodia today are the result of modern experience rather than ancient, and have been aided by international intervention. These includes features such as: the Khmer rouge experience destroyed the importance of ideology, especially in the countryside (which is why the CPP moved to its current non-ideological position); a landed peasant and business class developed mainly from state officials (and these same officials give the CPP its nationwide support); free market reforms benefitted those already in key positions gained by political connection (why the CPP is so willing to engage in radical openness to foreign investment and foreign aid); and finally, the CPP has embedded itself through these patrimonial networks into civil society (business benefitting from contracts gained by CPP officials) and the state (by preventing dissent from state elites - police or military - by placing them in key positions to benefit from reforms).³²² These social forces underpin the current state of affairs - the CPP as party, and state, and civil society. The attempt by Western donors to engage in state reconstruction, to build a neo-liberal state ready to slot into the global economy creates a situation whereby, in Caroline Hughes words: “[...] the reward of international resources occurs in return for the subordination of the national public to international surveillance and regimentation”.³²³

5.2.4 Laos: the Protostate Hinterland of Empires

Division at all levels marks out Laos’ modern political history. Born as the Kingdom of Luang Prabang then the Kingdom of Laos, Laotian monarchical elites have demonstrated a startling degree of political separation, perfectly reflecting the differing worldviews in existence at the time. Prince Phetsarath’s pro-Japanese leadership of the nationalist Lao Isshara - the principal anti-colonial umbrella grouping during WWII - had stood in contrast to King Sisavang Vong’s

³¹⁵ *ibid*, Cox (1987), p. 218.

³¹⁶ Cock, Andrew, R. (2010) ‘External actors and the relative autonomy of the ruling elite in post-UNTAC Cambodia’. *Journal of Southeast Asian Studies*, Vol. 41, Issue 02, pp241-265

³¹⁷ Cambodia is an extreme example of this but not altogether different from Mekong region political norms, as has been described in the previous chapter on Thailand with reference to Duncan McCargo’s notion of ‘network monarchy’ (patrimonial networks that run back to differing factions of Thai royalty) or in the previous chapter on Vietnam with reference to Bill Hayton’s notion of ‘fence breaking’ (the practice of elites - usually state officials - to operate pockets of capitalism in breach of formal communist rules).

³¹⁸ Strangio, Sebastian. (2014) *Hun Sen’s Cambodia*. New Haven, Connecticut: Yale University Press

³¹⁹ Scopis, Sheila. (2011) *Cambodia’s String Economy* [Unpublished Thesis] Melbourne School of Land and Environment - Resource Management and Geography

³²⁰ Interview with interviewee 22

In a Cambodian village, if something needs to be built, for example a pagoda, all are expected to contribute dependent on their status. The same practice has been carried over into the Cambodian state. When a project needs completing, for example a bridge, the relevant Cambodian ministry will send out letters requesting contributions. If the relevant individual cannot contribute the requested sum based on their actual salary, the excess is expected to be met using the perceived status of the figures position, i.e.: official corruption. This deeply rooted historical form, injected into modern state apparatus is thus very difficult to tackle.

³²¹ Interview with interviewee 16

³²² Hutchison, Jane., Hout, Wil., Hughes, Caroline., & Robison, Richard (2014) *Political Economy and the Aid Industry in Asia*. Hampshire and New York: Palgrave Macmillan

³²³ Hughes, Caroline. (2009) *Dependent Communities: Aid and Politics in Cambodia and East Timor*. Ithaca, NY: Cornell University Press, p. 3.

pro-France leaning. After WWII the royal family itself divided between three emergent social groups - royalist, neutralist and communist; represented by the so called 'three princes' of Prince Boun Oum, Prince Souvanna Phouma and the 'red Prince' Prince Souphanouvong respectively. King Sisavang Vatthana, son of King Sisavang Vong, could not convince the three princes to form a coalition government and civil war was the result. Along with a civil war came overlaid the Cold War, and Laos's international struggle between groups for control of a not long existing nation-state became intertwined with great power goals as the 'Vietnamese threat' became linked with the 'Laos Problem' in US strategic calculations. In 1949, the Lao Isshara government in exile in Thailand dissolved, and a division opened. On one side the pro-Viet Minh Pathet Lao were formed, represented by Prince Souphanouvong and which gained implicit support from the China's and the USSR's recognition of Ho Chi Minh's government in Hanoi. On the other side emerged a US and UK recognised Royal Lao Army (RLA); the creation of the aid entity - the United States Overseas Mission (USOM); and a US funded 25,000-man standing army. The agreement between Henry Kissinger and Le Duc Tho to sign the 1973 Paris Agreement ending the Vietnam War led to a ceasefire in Laos the following day, and two months after Saigon fell in April 1975, the Lao Peoples Liberation Army seized Vientiane and their political wing - the Lao People's Revolutionary Party (LPRP) - assumed power, where they remain to this day. The kingdom converted to a republic, the king deposed for a president, and collectivisation went into effect; with the Laos Peoples Democratic declared in December 1975.

5.2.4.1 Divided Society, Familiar Classes

It is questionable whether there is a semblance of a nation-state at all. Laos has existed in a highly fragmented state for centuries, continuing to colour Laos's international relations. Formerly the large kingdom of Lan Xang (1354–1707), a Southeast Asian 'mandala' composed of many '*mueang*' (city state but in reality, villages), the kingdom's 353 year existence was shattered by Siamese and Vietnamese attacks. It was divided into three kingdoms that roughly correspond to today's three socio-spatial regions of lowland, midland and upland Laos:

- Kingdom of Champasak (lowland; capital - Pakse; people - Lao Loum)
- Kingdom of Viang Chan (midland; capital - Vientiane; people - Lao Theung)
- Kingdom of Luang Prabang (upland; capital - Luang Prabang; people - Lao Soung)

In terms of a nation in the modern sense it is also dubious whether one exists to attach to a state. Firstly, the sheer diversity and distribution of Laos's people presents a barrier to the national construct. The Lao Front for National Construction (LFNC), a political mass organisation entity of the governing Lao People's Revolutionary Party recognises 49 ethno-linguistic groups,³²⁴ however there are quite likely more and classifying them all is very challenging. The dominant group is the Lao Loum, or lowland Lao of the ancient Kingdom of Champasak, which comprises around eight ethnic groups, represents around two-thirds of the population, and cluster along Laos's southwest regions of Savannakhet and Pakse, the old capital.³²⁵ Ethnic groups organise around village tribe units, each possessing relative autonomy over their micro-level communities. Stephen Mansfield argues that Laos, "...continues to remain closer to a conglomeration of tribes than to a conventional nation-state with a unified people. The geo-political priorities facing Laos today are almost identical to those at the time of its earliest recorded history. [...] The Lao People's Democratic Republic, less a politically unified nation than a fascinating human map. One that, for all the formidable changes of the last few decades, remains as ethnically diverse and richly fractured as ever".³²⁶ What exists is closer to what Soren Ivarsson's historical analysis concludes to be a 'Laos space' with the population 'in-

³²⁴ See: Socio-economic Atlas of the Lao PDR [Online]: An Analysis Based on the 2005 Population and Housing Census (section F). Available at <http://www.laoatlas.net/Welcome.html> (accessed 12.04.2015)

³²⁵ Savada, Andrea. M. (1994) *Laos: A Country Study*. Washington: GPO for the Library of Congress. Available at <http://countrystudies.us/laos/> (accessed 05.04.2015)

³²⁶ Mansfield, Stephen. (2005) 'Lao Hill Tribes: a Race with Oblivion.' *Critical Asian Studies*, Vol. 37, No. 2, pp277-pp288 (p. 286. & p. 288.)

between' other entities, and tied together in a loose politico-cultural sense; akin to an ancient Greek being 'Hellenic' rather than territorially demarcated.³²⁷

The sheer number of ethnic groups in Laos, in addition to the superior position of the Lao Loum (both in demographic terms, and those occupying positions of political power). However, reminiscent of clannish Scotland of the 18th century, divided as it was both internally between highlander and 'lallan' (lowlander) priorities, and inter-nationally between the benefits or drawbacks of a British Union, Laos is similarly torn. Lao Loum make up the dominant group ethnically and linguistically, however the highlander hill tribes still comprise around 40 per cent of the population, with the insurgent Hmong tribe counted among them. An ethnic hierarchy exists, with the Lao Loum looking down on the hill tribes generally and the Lao Thoeng ('upland Lao', nicknamed *khaa* or 'slave' due to previous periods of indentured slavery by the Thai) and Lao Soung ('high Lao' living at the highest altitudes; likely to be the newest immigrants from Myanmar, China or Tibet; count the Hmong among them) upland minority groups specifically.

5.2.4.2 The Laos State: 'Unity' in Division

There is little differentiation between the LPRP and the state - termed *pak-lad* (party-state) - and the party has little tolerance for challenges to its authority. However in various ways that will be outlined below, the party has had to begin from a blank piece of paper where nation, state or economy are concerned. The need to 'go back to basics' and build from fundamentals is made harder by the fact of the small size of the Laos state and the asymmetric relations it maintains with larger neighbours,³²⁸ in addition to the processes of neo-liberal globalisation that are being engaged with by the regime that will only weaken what state structures do exist.³²⁹ A weak or non-existent body politic, a small state in a region of large states, and rapidly moving processes of globalisation have blended together to result in a political culture of corruption in Laos, as in its neighbours. The party's highly personalised structure focused on a core party elite of personalities, coupled with the importance of elite regional families that carried over into the functioning of the Lao Loum dominated Lao People's Revolutionary Party (PPRP), mean that the *pak-lad* has no interest in Marxist ideals or improving the welfare of its people; instead utilising the state for the purpose of granting favours and amassing personal wealth.³³⁰ Stuart-Fox argues that to a certain extent this corruption is partly a result of the modern regime, but also sits within a socio-cultural patronage network that went back to the pre-modern *mueang* (village) system.³³¹

From 1975 until the embedding in of the *chintanakane mai* shift in the late 1980s, the Pathet Lao attempted to wipe away past symbolic structures, meaning the monarchy and Buddhism, however the failure of their political-economic agenda also meant a failure of their socio-ideological project and they have ever since been attempting to build a new symbolic framework for legitimation that involves, according to Grant Evans "modifying old rituals and symbols and creating new ones".³³² The first large-scale 'national' historiography only emerged in 2000 with the one thousand three hundred page Communist party constructed *Pavatsat Lao*. Bruce Reynolds in a detailed study of the document points out, the document dubiously attempts to combine ancient mythology with Marxist historical theory, resulting in the construction of a people in a land space that resembles modern Laos boundaries, rather than the more accurate reflection of modern Laos as formerly fragmented and belonging to various edges

³²⁷ Ivarsson, Soren (2008) *Creating Laos: The Making of a Lao Space Between Indochina and Siam, 1860–1945*. Nordic Institute of Asian Studies, Monograph Series No. 112. Copenhagen, Denmark: Nordic Institute of Asian Studies Press

³²⁸ Walsh, John. & Southiseng, Nittana. (2014) 'Recalibrating Asymmetric Relationships through Economic and Business Development: The Case of Lao PDR'. *Journal of Social and Development Sciences*. Vol. 5, No. 3, pp145-154

³²⁹ Gunn, Geoffrey. C. (2008) 'Laos in 2007: Regional Integration and International Fallout'. *Asian Survey*, Vol. 48, No. 1, pp. 62-68

³³⁰ Stuart-Fox, Martin. (2008) 'The Persistence of Political Culture in Laos and Cambodia'. *Journal of Current Southeast Asian Affairs*. Vol. 27, No. 3, pp. 34-58

³³¹ Stuart-Fox, Martin. (2006) 'The Political Culture of Corruption in the Lao PDR'. *Asian Studies Review*. Vol. 30, pp59-75

³³² Evans, Grant. (1998) *Politics of Ritual and Remembrance: Laos Since 1975*. Honolulu: University of Hawaii Press, p. 14

of its neighbours.³³³ In a study of the hegemonic construction of a nation in Laos, Vatthana Pholsena details how the Communist Laos state has used an ideology of multi-ethnic egalitarianism - whereby each ethnic group is formerly equal to each other but within the overall framework of a Marxist interpretation of the nation - that in reality serves state hegemony, by permitting the Communist state to create, manipulate and suppress/de-legitimise the boundaries of ethnic groups in Laos.³³⁴

Deeply laden but cross-cuttingly configured social classes continually emerge through a purportedly egalitarian Communist state and a state manufactured nationalism. Laotian society historically was hierarchical, and political culture decentralised into micro-level, self-autonomous *mueangs* or villages; a socio-political structure that lingers today. Powerful ruling families tied patrimonially together was the norm (e.g.: Luang Prabang families represented by Suvanna Phouma; Vientiane families represented by the Xananikons); and central and southern Laos families represented by Leuam Insixiangmai, Bunum, and Katay).³³⁵ France's 'Laos as hinterland' attitude introduced a Western style class system into the country, with French administrators at the top, working from Luang Prabang and being more concerned about balances of power with Britain or Siam; Vietnamese introduced as administrators and technicians; and Laotians used for translation, level clerk work, and manual or corvee labour.³³⁶ By 1937, still just under half (46 per cent) of indigenous administrative and military positions were staffed by non-Lao and of these most were Vietnamese.³³⁷ Upon independence and a slowly dawning nationalism, the aristocratic families became politically expressed with the Lao Issara movement. This royal centred coalescence of social class stood in contradistinction to an alternative but equally as weakly nationally oriented group of social forces - ethnic and relatedly class based identities, represented politically by the Pathet Lao. These Western recognisable class divisions between aristocracy/plebs or the more modern technocratic professional bourgeoisie vs. non-skilled manual proletariat, become blurred in Laos's case when ethnic hierarchies are overlaid.

Division among Laotian populace is no less represented among the elite. Historically the Laos king existed in competition with a distrusted *uparat* or 'second king'/'vice king', until the position was abolished at the end of the 19th century in favour of the Western notion of hereditary princes. This did not prevent the new royal elites being equally as divided as the historic kings, as King Sisavang Vatthana produced 'the three princes' who each unhelpfully represented the tripartite extant ideologies of Laos during the Cold War. The Communist Pathet Laos were meant to wipe away such structures however familiar class structures seeped into even the new 1975 regime. Lao Loum occupied the upper levels of the party and army, while Lao Thoeng and Lao Soung occupied the lower echelons; and the Party leadership was made up of two groups - one composed of those with ties to the former regime (aristocrats and royals, French educated, e.g.: Prince Suphanuvong, Phumi Vongvichit, Suk Vongsak), and a second composed of humbler stock that were the 'revolutionary generation' (less educated, Vietnam connected, e.g.: Savannakhet originating Kaison Phommvihane or Nuhak Phumsavan).³³⁸ The latter group, the war generation, did emerge as the dominant group and Ian Baird has studied how the political memory of the revolutionary war and an individual's status during that time have carried over into both status in the new regime and the patterning of land concessions and hydropower projects in Communist Laos.³³⁹ However it is important to note that despite the revolutionary nature of the thirty year war fought, aristocrats maintained their, albeit inferior positions of power, in addition to the Communists managing to replicate Laos's familiar ethnic hierarchies. Laos's well-established trend towards clannish ethnic hierarchy, with the Lao Loum dominating economically (more likely to be urban and lowland dwelling, southern located, near

³³³ Reynolds, Bruce. M. (2006) 'Pavatsat Lao': Constructing a National History. *South East Asia Research*, Vol. 14, No. 3 (Special Issue: The Politics of History and National Identity in Contemporary Laos, NOVEMBER 2006), pp. 361-386

³³⁴ Vatthana, Pholsena. (2010) 'Nation/Representation: Ethnic Classification and Mapping Nationhood in Contemporary Laos'.

Asian Ethnicity, Vol. 3, No.2, pp175-197

³³⁵ *ibid*, Stuart-Fox (1997)

³³⁶ *ibid*, Stuart-Fox (1997)

³³⁷ *ibid*, Stuart-Fox (1997)

³³⁸ *ibid*, Stuart-Fox (1997)

³³⁹ Baird, Ian. G. & Billon, Philippe. (2012) 'Landscapes of political memories: War legacies and land negotiations in Laos'.

Political Geography, Vol. 31, Issue 5, pp290-300

to the Thai border) and politically (fielding many of Laos's highly concentrated Communist elite) - has been largely unaffected by the 1975 Communist regime.³⁴⁰ Thus, the Laos state despite its modern Communist architecture, rests on historical social forces of social, political, and class based division.

5.3 CONCLUSION

Southeast Asia has been a region that Japan has long desired to play a leadership role within. This chapter began by demonstrating that, and by demonstrating a particular tension that Japan has in desiring to extend its influence into the region but always from within or behind another actor and world order. In relation to the GMS, Japan used the resource sharing UN led paradigm of the Mekong Committee until it lost its utility, then promoted a change of definition into a growth triangle idea of sub-regionalism that was supported behind the leadership of the ADB. Once this construct was consolidated and successfully used to integrate the latecomer economies of the former Indochina states, and then their being integrated into ASEAN processes, Japan then began moving away from encouraging multilateralism and towards a Mekong region that is increasingly connected to bilateral Japan led processes.

In the second section the other half of the puzzle was considered - the forms of state that compose the GMS. The thesis was that despite their being on the surface different regimes, they all share an authoritarianism, at least in relation to their politico-economy, which Japan finds easy to operate with. With the current neo-liberal world order requiring authoritarianism as its political handmaiden, the necessity of such political structures is required by the states of the Mekong economies in order to transform them into suitable forms that will accept greater economic integration. Japan's ease of operation with these authoritarian regimes, as the following chapters will demonstrate, has been highly successful and political concerns only exist to the extent that they impact upon economic interests that Japan has towards them. In the following chapter, the first case study of Thailand will be considered. It is here that Japan's economic power was honed and practiced until a fairly solid model developed that has then been being encouraged in Vietnam, Cambodia and Laos.

³⁴⁰ Freeman, Nick. J. (2001) 'Laos: Timid Transition'. In Funston, John. (ed.) *Government & Politics in Southeast Asia*. Singapore: Institute of Southeast Asian Studies

6.0 THAILAND: JAPAN'S HEGEMONIC PROXY

At this point, the analysis moves to the first of a series of single case studies, beginning with Thailand; Japan's long time partner and model for how hegemony can be established. The purpose of this chapter is to demonstrate that while Japan's economic power relations began with Thailand a long time before the formal advent of the GMS project, Thailand has been intimately connected to Japan's attempts at region building. The thesis moving forward is that Thailand's long time state owned economy but nonetheless pro-Western, pro-Capitalist military elite leanings; coupled with the established relations of Japan with that military elite beginning with the figure of Plaek Pibunsongkhram (*aka*, Phibun - see chapter 5), put Thailand within a world order shared by Japan, meaning less of a need for consent generation from the other country's elite meaning a longer degree of relations and embedment. Nevertheless, Japan's hegemony was used to shift Thailand not towards capitalism, but towards a particular *form* of capitalism. As outlined in chapter five, Thailand is, and has been, a highly authoritarian country with a coupling of military-monarchist rule and a trepidacious attitude to liberal economics and especially neo-liberal economics, if Thailand's elite class is threatened. This has enabled Japanese hegemony to operate easily, within a politico-economic environment that is fairly well aligned with Japan's own mode of production and form of state.

The chapter, as will all subsequent chapters, begins with a historical survey of Japan's relations with the specific Southeast Asia case here - Thailand. It then proceeds with an analysis that follows Cox's tripartite social relations of production - material power, institutional power and ideational power. This chapter is oriented slightly differently to subsequent chapters due to the non-existence of the GMS project to act as a world order to be consented to. Nevertheless, the purpose here is to demonstrate the gestation of a model that Japan uses in relation to the other MRBCs. As such, Japan's material power relations with the Thai kingdom step back further in time and examine the growth of Bangkok as a central node of Japan's economic power in Southeast Asia. It is from this node that Japan is able to express new transformations, and connect the other MRBCs with. The next section looks at Japan's institutional power in Thailand, which is heavily penetrated, and how Japan has not only moulded the Thai state towards its own worldview, but is currently using Thailand as a proxy to do the same to Thailand's neighbours. This involves Japan applying the lessons learnt in Thailand, and the generation of a particular institutional 'model', to the encouragement of those institutions in the other Mekong economies. The final section examines Japan's ideational influence which, having been able to create for Thai elites an alternative worldview that shifted Thailand's approach towards global political-economy, is now being attempted by proxy in the other GMS economies.

6.1 JAPAN-THAILAND RELATIONS

The notion of 'Thailand as gateway' had as much resonance in the 16th century as it does today. Japanese settlers and traders spread out all over Southeast Asia from the middle of the 1500s (although trading relations through the Ryukyu Kingdom, present day Okinawa, have a much older pedigree), with then Siam being home to the largest of the *nihon-machi* or 'Japan towns', in the city of Ayutthaya of the Ayutthaya Kingdom.³⁴¹ Japanese traders and samurai became ingratiated with local leaders, such as Yamada Nagamusa, and eventually become heavily embroiled in local politics.³⁴²

³⁴¹ Present day Ayutthaya, just north of Bangkok city, is now Southeast Asian home to car manufacturer Honda. Other principal *nihonmachi* settlements were in Dilao and San Miguel (Manilla) in the Philippines; Faifu and Tourane (Da Nang) in Vietnam; Pinhal and Phnom Penh in Cambodia; Tainan in Formosa; Batavia in Jakarta, Indonesia; and in Macao.

³⁴² The first example is when the Thai king Naresuan pushed West against Burma in 1593, he defeated Burmese prince Phra Maha Uparaja, in a battle of elephants and an army of 500 Japanese soldiers. A second example came in 1611, when a group of Japanese soldiers had stormed Ayutthaya Palace seeking revenge for either being cheated by Siamese merchants or having had their master killed. Finally, famed Japanese warrior Yamada Nagamusa (successor to Kii Kyuemon), who became chief advisor to King Songtham, and fought against the Japanese troublemakers on the side of the Siamese, later becoming involved in a succession battle when King Songtham died in 1628, fighting against Prasat Thong who would none the less accede to the throne. Japanese soldiers would return to Thai politics in 1656, when they stormed Ayutthaya Palace and helped install Thai king Narai on the throne.

- Polenghi, Cesare. (2009) *Samurai of Ayutthaya: Yamada Nagamasa, Japanese Warrior and Merchant in Early 17th Century Siam*. Bangkok: White Lotus Co Ltd

In modern terms, Japan and Thailand (then Siam) have held diplomatic relations since September 26th 1887, with the first commercial treaty signed in 1898 creating an extra-territorial trading port relationship similar to that which Western nations had established in Japan itself. The first Japanese consulate was established in Bangkok in 1897, and a second in Chiang Mai in 1941. 80 per cent of Thailand's trade at this time however was with Britain and therefore Japan-Thailand relations were not initially regarded a priority by Japanese elites. Entry into the colonial game for Japan came first in Thailand and Indochina. Japan signed the *Treaty between Thailand and Japan Concerning the Continuance of Friendly Relations and the Mutual Respect of Each Other's Territorial Integrity* in 1940, followed by an alliance treaty in December 1941 signed by Thailand's military leader Plaek Phibunsongkhram (Phibun). The alliance was misrepresented by the Japanese and had all the disadvantages of neutrality but few of the advantages, turning the territory of the kingdom into a battleground. Although ostensibly guaranteeing Thai sovereignty, the ground level reality was one of disrespect and friction from the Japanese military to their Thai equivalents, with Japan's interest clearly coming first.³⁴³ Moreover the social reaction was vehemently anti-Japanese as the ordinary Thai citizen quickly realised that the Japanese were not in any way interested in their own rhetoric of an 'Asia for Asians', instead being more interested in pillaging and other disruptive behaviour (e.g.: the Ban Pong Incident). An underground resistance movement developed, the '*Seri Thai*' (Free Thai), which was operating within former colonial power structures.³⁴⁴ This has fostered a strong post-war affiliation with Western states and ideas that continues to this day, marking Thailand out among its neighbours as a historically Western facing country in a sea of Communist neighbours.³⁴⁵

Official relations between Japan and Thailand were severed in 1945 at the conclusion of WWII, but resumed in October 1949 when Thailand established a liaison office at the site of the former Thai embassy in Tokyo, and in 1951 the Japanese setup their own office in Bangkok. Once Japan regained independence from the US in 1952, the two countries upgraded these offices to embassies, and official modern relations began.

The early Cold War decades was a period of balancing, as Japan had to maintain its alliance with the United States, while simultaneously pursuing its doctrine of 'comprehensive security' in Southeast Asia. Thailand became crucial to this. Thailand helped found ASEAN and became an early member of the Asian Development Bank, in addition to realising that its Cold War role as forward base for the American military was untenable after the end of the Vietnam War, and asked the US military to leave in the mid-1970s. The Nixon Shocks in 1971 would force the Bank of Japan to float the yen, after which it immediately appreciated, going from 360 yen to the dollar in 1971, to 275 yen to the dollar by the end of 1973; a cheaper site for Japanese producers would become even more necessary and a multi-lateral, omni-directional, and de-escalated military Thailand was ideal. This became consolidated (not created, as Japanese companies had been in Thailand for decades already) when the 1985 Plaza Accords would add

³⁴³ Reynolds, Bruce. E. (1996) 'Anomaly or Model? Independent Thailand's Role in Japan's Asian Strategy, 1941-1943'. In Duss, Peter., Myers, Ramon. H. and Peattie, Mark. R. (eds.) *The Japanese Wartime Empire, 1931-1945*. Princeton, New Jersey: Princeton University Press

³⁴⁴ Goto Kenichi has classified the anti-Japanese/resistance movements of this time into three groupings: (1) those resistance movements existing through already present colonial relationships (eg: the anti-Japanese guerrillas in the Philippines under USAFFE command); (2) anti-Japanese movements led by Communists (such as the Viet Minh in Vietnam); and (3) 'new elites' who were created by Japanese elites who then turned on their 'parent' (eg: the free Burma movement in Burma). The *Seri Thai* were in the first of Goto's classifications, supported by the West at both the underground society and elites levels.

- Goto, Kenichi. (1996) 'Cooperation, Submission and Resistance of the Indigenous Elites of Southeast Asia in the Wartime Empire'. In Duss, Peter., Myers, Ramon. H. and Peattie, Mark. R. (eds.) *The Japanese Wartime Empire, 1931-1945*. Princeton, New Jersey: Princeton University Press

Bruce Reynolds excellent study of the Seri Thai movement details the degree to which the US and its British and Chinese allies, were fighting a hidden war in Thailand.

- Reynolds, Bruce. E. (2005) *Thailand's Secret War: OSS, SOE and the Free Thai Underground During World War II*. Cambridge: Cambridge University Press

³⁴⁵ US diplomatic cables reveal that this US-Thai WWII partnership remains prominent in military planners mind as justifier of current close relationships and regional US force projection ability.

See: US Diplomatic Cable (from: US embassy Bangkok, to: various). Subject: *US-Thai relations: sustaining our important military-military engagement program and access*, cable: BANGKOK000213, January 28th 2009. Available at http://wikileaks.org/cable/2009/01/09BANGKOK213.html_ref:09BANGKOK213 (accessed 07.03.2014)

to the appreciation of the yen, which by 1986 had reached 160 yen to the dollar, incentivizing many more Japanese companies to relocate abroad and Thailand was seen a strong base from which to re-position in the so-called ‘*endaka*’ (expensive yen) era. These push and pull factors meant that Japan was fundamentally re-shaping Thailand. With import substitution industrialisation changed in favour of export oriented industrialisation in 1972, Thailand changed path and it was Japan’s economic power that largely led them there. In this early take-off phase, between 1970-1989, agriculture as a share of GDP dropped from 26 per cent in 1970 to 15 per cent in 1989, while Industry (manufacturing) rose from 16 per cent to 25 per cent. Japan’s hegemony in Thailand starts from a long-term and heavily consolidated base.

6.2 JAPAN, THAILAND, AND HEGEMONY I: MATERIAL POWER

6.2.1 Production

World orders represented by the IBRD Bank and IMF had been pressuring Thailand to change its import substitution policy for decades before happened, which it did, with the Third Economic Plan (1972-1976) that promoted foreign investment by reducing high tariffs on some (but not all) products and shifting Thailand from an NAIC (newly agro-industrialised country) to a NIC (newly industrialising country) mode of production. Japanese companies seized the now open door to establish themselves in Thailand. The oil shocks of the 1970s increased the kingdom’s foreign debt, leading to the World Bank and IMF pushing for austerity and privatisation of Thailand’s huge SOEs which in 1985 accounted for half of Thailand’s foreign debt; which in turn coincided with Japan’s *endaka* induced expansion that would lead to Japanese investment flooding in, adding annually 1.5 per cent to increases in Thailand’s GNP.³⁴⁶ It took Japanese investment only one decade to replace the US-European post-WWII dominance of the sector, and in 1982 Toyota, Nissan, and Honda had achieved a 64 per cent market share, leaving Bangkok a Japan (and US) car base.³⁴⁷

Thailand has attracted, and become dependent on, a great deal of foreign investment. Ratios of FDI to GDP in Thailand have increased on average from 5 per cent in the 1990s, to 13 per cent in the 1990s, to 33 per cent in the 2000s, with an average FDI to GDP ratio over the period since liberalisation of 19 per cent (see table 6.1). Corporations began rapidly basing their production zones in Thailand from the middle of the 1980s, remaining stable for around a decade, then more than tripling, in a surge from the middle of the 1990s (fig 6.1). In 1994, inward FDI stood at \$1.4 trillion dollars, and by 1998, it had reached \$7.5 trillion. The Asian Financial Crisis in 1997 caused a sharp decline in inward investment, down to pre crisis 1996 levels, remaining so until another sharp upward surge from 2002 (\$3.6 trillion) to 2007 (\$11.4 trillion). The 2007/2008 Financial Crisis led to a sharp decline, more than half, down to \$4.9 trillion in 2009, from when it began to be attracted back. 2011 floods caused a small (in overall terms) decline, but a fast recovery has resulted in levels of current investment around \$9 trillion; representing 40 per cent of Thailand’s GDP. Much of this FDI is Japanese in origin. By 1995, Japanese investment had become almost half of all foreign investment in the Thai kingdom, most of it heavily majority owned by the Japanese partner, with Thai ownership typically very small. Since the shift towards Exports Orientated Industrialisation (EOI), FDI from Japan tracks reliably closely with Thailand’s overall inward FDI (see fig 6.2), and averages 40 per cent of all foreign investment in Thailand since 1985 (see table 6.2). Sectorially, this investment is primarily directed towards Japanese automobile and electronics manufacturers; different to US investment that centres of chemicals and paper, EU investment that focuses on services and investment from China which is mainly focused (but to a far lower proportion) on agriculture (see fig 6.3). This pattern from the end of the 1980s is in contrast to Japanese FDI to Thailand between 1965-1988 which was primarily in manufacturing and construction, with construction

³⁴⁶ Katzenstein, Peter. J. & Rouse, Martin. (1993) ‘Japan as a Regional Power in Asia’. In Frankel, Jeffrey A. & Kahler, Miles. (eds.) *Regionalism and Rivalry: Japan and the U.S. in Pacific Asia*. London & Chicago: University of Chicago Press

³⁴⁷ Sajarattanochoe, Suksawat & Poon, Jessie. P. H. (2010) ‘Multinationals, Geographical Spillovers, and Regional Development in Thailand’. In Yeung, Henry Wai-chung (ed.) *Globalizing Regional Development in East Asia: Production Networks, Clusters, and Entrepreneurship*. London and New York: Routledge

being more important in the 1960s, manufacturing from the 1970s, and for a brief period during the first half of the 1980s, construction again.³⁴⁸

6.2.1.1 Direct Influence

This ODA facilitated boom in Japanese automobile and to a lesser extent electronics production centred on Bangkok, has created what The Economist calls the ‘Detroit of the East’.³⁴⁹ Toyota, Isuzu, and Honda account for around 80 per cent of domestic market share. This dominant position has enabled a wider network of parts manufacturers to also enter Thailand. Japanese productive investment is not usually a single project or single company but instead a sort of travelling caravan. Toyota for example is only the top of a pyramid, underneath which are layers or semi-assemblage and parts manufacturers. In the 1960s, Thailand, still practicing import substitution, introduced LCRs or local content requirements, in addition to increased tariffs on a range of car types and outright bans in the case of some models. LCRs continued into the 1980s but when Ob Vasuratna, then Minister of Industry, in 1983 rejected the idea of a 70 per cent then later 100 per cent local ‘Thai Vehicle Project’ (what Thai producers wanted) under pressure from the car industry and especially Toyota, requirements were relaxed; and as car production in Thailand became more globally oriented, in 1990 the government withdrew all limits on locally produced cars and by 1998 the government announced the withdrawal of LCRs completely.³⁵⁰ In this way, local Japanese corporations can put pressure of Thai government policy for their own gain. These companies had already worked around the LCR rules by banding with local Thai affiliates to justify being ‘local’, however the removal of the LCR requirements opened the door completely. In 2000 when the LCRs were actually lifted Japanese cars production accounted for an already healthy 58.1 per cent share of Thai production; by 2008 it had become 81.4 per cent with Toyota alone accounting for 41.1 per cent.³⁵¹ Thailand’s car industry is not Thai at all; it is Japanese.

So powerful, and embedded are they that they do not need to be concerned about the regular assumption to power of the Thai military. Occasional worries about the political situation do sometimes get expressed, such as in January 2014 by President of Toyota Thailand, Kyoichi Tanada, warning that twenty billion baht (\$609 million) of new investment in Thailand may not emerge given the political instability.³⁵² However, a glance at the FDI data indicates that FDI from Japan into Thailand continues no matter what the current regime is, democratic or military. The US Embassy in Bangkok in 2007 during serious political unrest concluded that large increases in foreign investment, particular from Honda and Toyota remained unaffected and “political and economic difficulties are not affecting investment flows”.³⁵³ New ventures also continue apace, such as the large joint venture in 2010 between Siam Cement Group (another highly significant Thai state SOE) and Kubota, a large Japanese agricultural equipment production company. When the issue of political stability was put to senior executives of Toyota in Thailand for this research, and whether it affected Toyota’s activities, the reply was: “No not at all. It has begun to affect the market, because Thai consumers are now feeling more depressed and not consuming so much. But in terms of our business strategy, the government problems make no difference”.³⁵⁴

³⁴⁸ Yoshida, Mikimasa. (1996) ‘Characteristics of Foreign Direct Investment in Thailand’. In Tokunaga, Shojiro. (ed.) *Japan’s Foreign Direct Investment and Asian Economic Interdependence*. Tokyo: University of Tokyo Press.

³⁴⁹ The Economist, 04.04.2013, *Thailand’s booming car industry: Detroit of the East* [Online] <http://www.economist.com/blogs/schumpeter/2013/04/thailands-booming-car-industry> (accessed 03.03.2014)

³⁵⁰ Athukorala, Prema-Chandra & Kohpaiboon, Archanun [Online] ‘Thailand In Global Automobile Networks’. *International Trade Centre*. International Trade Centre. Available at

http://www.intracen.org/uploadedFiles/intracenorg/Content/Trade_Support_Institutions/Business_voice_in_policy_making/WTO_a_cession_implication_for_business/Thailand_in_global_automobile_networks.pdf (accessed 10.05.2015)

³⁵¹ International Trade Centre (2012) *Making Inroads in Regional and Global Automotive Networks: Thailand’s Successful Journey, Part 4* (2012-05-10). Available at <http://www.intracen.org/BB-2012-05-10-Making-inroads-in-regional-and-global-automotive-networks-Part-4/> (accessed 10.05.2015)

³⁵² Dhanananphorn, Manunphattr. (2014) ‘Toyota’s confidence in Thailand shaken by unrest’. *Business Day live*, 20.01.2014 [Online] <http://www.bdlive.co.za/world/asia/2014/01/20/toyotas-confidence-in-thailand-shaken-by-unrest> (accessed 02.03.2014)

³⁵³ US Diplomatic Cable (from: US Embassy Bangkok, to: various). Subject: *Is Foreign Investment Up Or Down?*, cable: BANGKOK004753, April 9th 2007. Available at <http://wikileaks.org/cable/2007/09/07BANGKOK4753.html>, ref: 07BANGKOK4753 (accessed 03.02.2014)

³⁵⁴ Interview with interviewee 17 and 18

Japanese companies in Thailand may not be worried about political instability but they do become worried when their activities are directly affected. The Japan funded premier industrial park – ‘Ma Tha Phut’, is a major site for chemical and steel production. It was formerly a swamp, and has now become waste ground for industrial production processes and cancer causing agents to the local villagers. On Dec 2nd, 2009, a local case brought by the villagers affected by Ma Tha Phut that had been taken to the Thai Supreme Court, won, and the court ruled that out of seventy-six projects in the park, sixty-five must be suspended; with eleven allowed to continue that no relation to the cause of the issue. Of the 1300 corporate members of the Japanese Chamber of Commerce (JCC) in Thailand, around one third will be impacted by the supreme court decision, mostly in the fields of chemicals, steel, construction and finance.³⁵⁵ Foreign government officials from the US and Japan were highly concerned about the legal challenge to the park which could cause \$19 billion worth of losses. Then Finance Minister Korn Chatikavanij was tasked to assuage foreign investors and the Prime Minister himself was dealing with ways to help them.³⁵⁶

6.2.1.2 Indirect Influence

With such relational power, Japan’s public-private coalition is able to generate the necessary consent from their Thai partners for Mekong integration that involves the structural re-organisation of production supply chains not only within Bangkok or even within Thailand, but also within the entire Mekong region. Japan’s parent companies rarely rely on vertically organised supply chains but are instead supplied by a numerous parts and components sub-contracting suppliers.³⁵⁷ While these subsidiaries abroad would formerly have supplied final assembly in Japan, the *endaka* phenomenon facilitated final assembly level production moving outside of Japan. The GMS soon became the legitimating framework for the turning of the Mekong countries into a region wide production system of ‘Mekong plus One’s’. The most significant of which is the ‘Thailand plus One’ or sometimes ‘Bangkok plus One’.

This structure is still being developed, however the strategy involves the connecting of SEZ sites around Thailand neighbouring countries, at key border towns that rest along GMS economic corridors, that then feed into Bangkok for final production/assembly - a sub-regional hubs and spokes production system (see below, fig C). The strategy rests on the GMS objectives of infrastructure, cross border trade agreements and the connectivity normative agenda that has promulgated through the GMS project from the start, and will allow Japanese companies based in Bangkok to not only benefit from cheaper labour sources (although this is not a good enough reason for them to leave Thailand, where they feel comfortably established) but also to assuage risks that arise from other outside encroachment into the region in addition to the effects of natural disasters such as the 2011 flooding in Thailand. In essence, Thailand plus One represents the integration of a region so as to fragment production.³⁵⁸

Some argue that Thailand plus One is a reaction to political instability in Thailand and is a risk management mechanism.³⁵⁹ However this is to ignore a great deal of wider perspective understanding. Japanese investment in Thailand has weathered three decades of political instability in Thailand and is not particularly concerned with the latest. In addition, the sinews of Thailand plus One tessellate perfectly with the nodal points and sinews of the GMS project as envisioned officially in 1992 (but planned a long time prior). Rather, Thailand plus One is an *a*

³⁵⁵ Hurights Osaka (2012) ‘Map Ta Phut: Thailand’s Minamata?’ *Focus*, Vol. 68 (June, 2012). Available at <http://www.hurights.or.jp/archives/focus/section2/2012/06/map-ta-phut-thailands-minamata.html> (accessed 12.03.2014)

³⁵⁶ US Diplomatic Cable (from: US Embassy Bangkok, to various). Subject: *Thai Finance Minister Reaffirms To Ambassador Commitment On Issues Of Concern*, cable: BANGKOK000320, May 2nd 2010. Available at <http://wikileaks.org/cable/2010/02/10BANGKOK320.html>, ref: 10BANGKOK320 (accessed 02.02.2014)

³⁵⁷ Phongpaichit, Pasuk. (1990) *The New Wave of Japanese Investment in ASEAN: Determinants and Prospects*. Singapore: Institute of Southeast Asian Studies

³⁵⁸ Oizumi, Keiichiro. (2013) ‘The Potential of the ‘Thailand-Plus-One’ Business Model: A New Fragmentation in East Asia’. *RIM Pacific Business and Industries*, Vol. XIII, No. 50

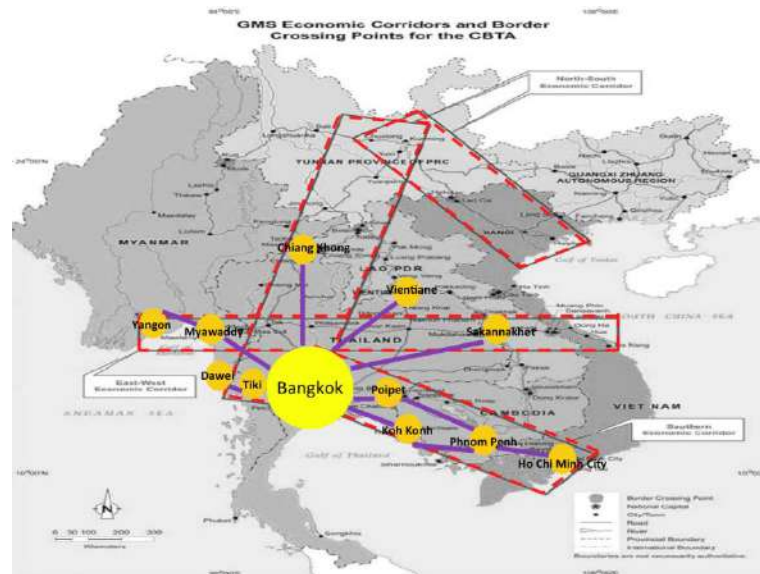
³⁵⁹ Chachavalpongpun, Pavin. (2014) ‘Japan Pursues a ‘Thailand-Plus-One’ Strategy’. *ISEAS Perspective*, No. 15. Available at http://www.iseas.edu.sg/documents/publication/ISEAS_Perspective_2014_15-Japan_Pursues_a_Thailand-Plus-One_Strategy.pdf (accessed 03.03.2015)

priori strategy rather than a *post priori* reaction. As Hatch and Yamamura's argue in their 'Embraced Asia' thesis:

[T]he embraced economies of Asia [are] like the small or medium-sized Japanese firms that belong to the vertical keiretsu dominated by the large manufacturers to whom they supply parts. [...] Japan is using its Asian production alliance in part as a platform from which to continue supplying high-technology products to Western markets. This, of course, serves a political as well as economic purpose. Not only does it escape the potentially crushing impact of the high yen, but it reduces the size of the trade surplus attributable directly to Japan, and thus reduces some of the international pressure the nation otherwise might face.

- Hatch and Yamamura (1996)³⁶⁰

Fig. C Thailand plus One

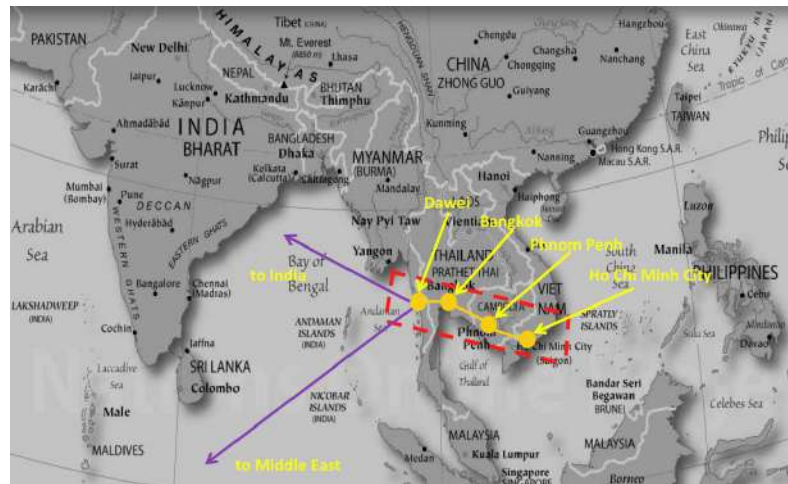


Source: author

However, Tokyo's grand strategizing likely does not stop there. As this thesis will show, Japan's priority within the GMS project is the East-West Economic Corridor and the South-South Economic Corridor; both of which have Bangkok as their hub. With the entire infrastructure in place, and the Thailand plus One established, there is little to prevent a bigger goal - inter-regional connectivity. With such Mekong wide connectivity and a productive base in Bangkok, it is possible to inter-regionally connect the GMS with the Bay of Bengal Initiative for Multi-Sectoral Technical (BIMSTEC), and even bring energy supplies up from East Africa (see below, fig D). When the viability of this sketch was put to Japanese respondents interviewed for this study in the Mekong region, most said this was possible and many said it was already in development.

³⁶⁰ Hatch, Walter. and Yamamura, Kozo. (1996) *Asia in Japan's Embrace: Building a Regional Production Alliance*. Cambridge: Cambridge University Press, p. 28. & p. 36.

Fig. D Crossing the Mekong Peninsula



Source: author

6.2.2 ODA

Japan was Thailand's top ODA provider from the 1970s until the turn of the millennium (see table 6.3) and it is this dimension of economic power that explains Japan's private sector dominance in the kingdom. Since 1960, Japan has cumulatively provided \$6.4 billion in aid to Thailand compared to the \$1.5 billion of the US; the second highest. That figure is even more startling considering the amounts of aid delivered to Thailand in order to 'support' them against the Communists in the 1960s and 1970s. Thailand was crucial for Japan's 1950s 'return to Asia' period. After the 1952 San Francisco Peace Treaty and 1952 Colombo Plan (Thailand's accession, 1954) the 'Agreement between Japan and Thailand Concerning Settlement of the Special Yen Problem' was signed in 1955.³⁶¹ The agreement created the liability for Japan to pay between 1955-1959 a grant of:

1. 400 million yen to Thailand (\$26.8 million, between \$186 million and \$1.2 billion at today's value), in five yearly instalments (*Article I*)
2. 9,400 million yen for the purpose of 'economic co-operation' in investments and credits for 'capital goods of Japan and services of Japanese people' (*Article II*)

Japan's negotiators stressed the calling of the agreements 'economic and technical assistance' since Thailand was never 'occupied', making reparations inappropriate.³⁶² The 1955 agreement was then renegotiated in 1962 to cover the period 1962-1969. It is the second of these conditions that is of most interest, due to its size and the conditions attached. Japan realised that reparations implemented wrongly would reduce its influence in Southeast Asia with non-Communist leaning countries, which were lacking in foreign currency reserves in addition to being under the influence of European and US powers, and therefore having hardly any ability to purchase the kind of heavy industry goods that Japanese manufacturers has developed. Thus, Thailand was locked into an aid scheme whereby huge sums of Japanese aid would be recycled back to Japan in exchange for 'capital goods of Japan and services of Japanese people'. The 1955 war claims settlement was followed by loans in 1968 and 1972, which went to support infrastructure projects and commercial objects favouring Japanese companies. The latter of these loans, a particularly large one coincided with Thailand's change of economic approach from Import Substitution Industrialisation (ISI) to Export Oriented Industrialisation (EOI) with the Third Five Year Plan (1972-1976), prompting a Thai central banker at the time to believe that in accepting that aid package Thailand had sold itself to Japan for the next two or three decades.³⁶³

³⁶¹ George Washington University Archive [Online] *Agreement Between Japan and Thailand Concerning Settlement of 'Special Yen Problem'*. Available at <http://www.gwu.edu/~memory/data/treaties/Thailand.pdf> (accessed 01.04.2014)

³⁶² Langdon, Frank. (1973) *Japan's Foreign Policy*. Vancouver: University of British Columbia Press

³⁶³ Mendl, Wolf. (2001) *Japan and South East Asia: Vol. II - The Cold War era 1947-1989 and Issues at the End of the Twentieth Century*. London & New York: Routledge

It is initially puzzling to consider why the Thai government was so quick and eager to re-establish ties with Japan, something many of its neighbours had strong reservations about. Bruce Reynolds argues that it is due to a genuine respect felt by the Thai elite towards their Japanese counterparts in addition to characteristic Thai realism at recognizing dominant powers.³⁶⁴ Another explanation is the desire by the Thai government to quickly industrialise Thailand. In 1950, the Thai military government established the ‘National Economic Board’ (NEB) (later to go through various incarnations until arriving at the present ‘National Economic and Social Development Board’ in 1972) in order to spearhead economic development in the kingdom. The board’s principal platform is the creation of national plans titled the ‘National Economic Development Plan’³⁶⁵ and it is these plans that Japan’s ‘iron triangle’ was very keen to incorporate themselves into.

6.2.2.1 Direct Influence

Japan’s war reparations and early aid program was quickly aligned with business (FDI) interests in Thailand, and it is this coalition of ODA facilitating private sector investment which is the reason for Japan’s dominant position in Thailand today.³⁶⁶ Chittiwatanapong *et al* identify six phases of evolution, beginning with construction that began to significantly grow from 1969 (see table 6.4), and concludes that a great deal of Japanese grant and loan ODA for this key period of Thai development seems to have been lost, and most probably found its way back to Japanese contractors; with obvious discontent from Thai construction and engineering firms as a result.³⁶⁷

Simple construction projects become ever more grand and soon, Japan’s ODA turns towards wholesale infrastructure and energy sector terraforming, requiring the up scaling from grants to loans. From the beginning of the 1980s large loans are provided that sectorially aim towards what in GMS language is now referred to ‘connectivity’, however this began in Thailand long before the formal announcement of the GMS project. Referring to table 6.5, yen loans have overwhelming gone towards railways, roads, and airports. While these ODA loans began to be pulled back from Thailand around 2002 due to budgetary pressures and Thailand’s advanced

³⁶⁴ Reynolds, Bruce. E. (1990) ‘Aftermath of Alliance: The Wartime Legacy in Thai-Japanese Relations’. *Journal of Southeast Asian Studies*, Vol. 21, No. 1, pp66-87

³⁶⁵ Plan 1: 1961-1966; Plan 2: 1967-1971; Plan 3: 1972-1976; Plan 4: 1977-1981; Plan 5: 1982-1986; Plan 6: 1987-1991; Plan 7: 1992-1996; Plan 8: 1997-2001; Plan 9: 2002-2006; Plan 10: 2007-2011; and Plan 11: 2012-2016.

³⁶⁶ Blaise, Severine. (2009) ‘Japanese Aid as a Prerequisite for FDI: the Case of Southeast Asian Countries’. *Asia Pacific Economic Papers*, No. 385. ANU: Australia-Japan Research Centre

³⁶⁷ Chittiwatanapong, Prasert., Karasudhi, Phisidhi. & Itoga, Shigeru. (1989) *Japanese Official Development Assistance to Thailand: Impact on Thai Construction Industry*. Tokyo: Institute of Developing Economies (Yugengaisha Tohokohsha)
Phase 1 (1963-1965) – The first ‘National Economic Development Plan’, and most contracts were allocated to Western companies eg: Italian-Thai Development Corp. and Christian and Nielson (Thai) Corp. Lack of experience in foreign construction made the three large projects (Bangkok-Nakorn Pathom Highway, Bangkok AIA Building, ITTM Factory Improvement Project) completed by Japanese contractors ‘very expensive lessons’.

Phase 2 (1966-1973) – This was a boom period for Japanese contractors as the second ‘National Economic Development Plan’ was implemented. Obayashi Corporation, Takenaka Corporation, and Nishimatsu Construction Ltd received all the factory construction bids, and 1969 was a peak year with 45 bids won. From 1972 joint ventures became necessary due to regulation NECA No. 281, an Import Substitution Industrialisation (ISI) measure, that prescribed that foreign firms to be joined with local Thai firms and have a certain percentage of Thai capital invested, otherwise they could not bid for projects.

Phase 3 (1974-1976) – Oil shocks, the Vietnam War, and rising domestic problems (political unrest and worsening economy) led to a declining period of Japanese construction. Obayashi Corporation (now Thai- Obayashi Corporation) and Takenaka Corporation (now Thai-Takenaka Corporation) however continued to win most domestic construction contracts, in addition to foreign aid financed projects (which the NECA No. 281 regulation did not apply to). Significant projects included the Bangkok Bank Headquarters.

Phase 4 (1977-1980) – Thai government stimulus measures and a private sector rebound led to slightly declined projects won but a significantly declined value of project, with Thai-Takenaka Corporation winning two thirds of all project bids, Thai- Obayashi Corporation the other third.

Phase 5 (1981-1982) – A further declining demand but high value period, as Japanese firm Sumitomo Construction built the expensive Memorial Bridge and Bangsaen Marine Science Centre Project. Again, Thai-Takenaka Corporation and Thai- Obayashi Corporation won most other bids.

Phase 6 (1983-1986) – A recovery and second boom, as the twin control of Thai-Takenaka Corporation and Thai- Obayashi Corporation is broken and other Japanese construction companies begin winning projects. The Iran-Iraq war forced Japanese companies out of there, and the demand in Malaysia suddenly dropped, leaving Thailand as one of the only key sites in the region for work to be done. Simultaneously the Thai Eastern Seaboard Industrial Development Plan was initiated in 1984. Also in 1984, Japanese firms won the Dao Khanong-Bangkok Port Highway Project, the Thailand Cultural Centre Project, and the Bangkok International Airport Expansion. In 1986 came the Bangkok Metropolitan Water Supply, and Bangkok International Airport Runway and Parking Area.

economy, JBIC ODA loan data for the period 1999-2007 reveal that Thailand remains second only to Indonesia in loans received (see table 6.12). Thailand's debt management office data reveals that for the period 2007-2013, while external borrowing is on average 40 per cent sourced from international capital markets, a similar if not slightly higher average is raised from foreign government aid; and of this aid from JICA comprises on average 95 per cent of bilateral assistance and 45 per cent of all external borrowing (see table 6.8). Japan remains, even with ODA budgets pulled down in Thailand, a significant aid power in the kingdom. This volume is also matched by the sort of characteristics outlined in chapters four and five - less of a concern with liberal state or world order practices, and more of a concern with the state capitalist order-state pathway.

Just as in all the other Mekong states, Japan is extremely reluctant to link ODA with democracy or human rights. Coming close after the 1991 military coup d'état and the US announcing plans to sever aid to Thailand, Japan nevertheless did not, and never has, used its superior ODA position as a negative sanction.³⁶⁸ Quite the opposite, the above outlined history of ODA demonstrates a Japan with a heavy interest in utilising ODA to create positive sanctions and benefits for Japanese corporations. The sheer volumes of capital provided, uncritically, under very reasonable terms have acted to stimulate Thai elites to consistently accept increasingly, and makes the necessary political or institutional changes requested. When issues have arisen - for example over excessive tying that places pressure on local Thai businesses - and protests broken out, aid has been transformed and/or channelled into soft power generating institutions within Thailand in order to improve 'mutual understanding'. Moreover, Japan's ability to connect material power with wide ranging ideational programs - the construction agenda, the Eastern Seaboard Development Program (see below), aid when in time of financial crisis as in 1997, and the current GMS and Thailand Plus One plans - has provided Thai elites with a vision that National Economic Plans can then be oriented towards.

6.2.2 Indirect Influence

Japan's indirect impact on Thailand, i.e.: the ability to alter fundamental underlying economic conditions is immense. Aid that supported construction companies helped to industrialise Thailand during the 1950s and 1960s. Aid to support automobile and electronics companies in the 1970s and 1980s led to Bangkok's becoming the 'Detroit of the East'. Moreover, when Japan faced difficulties in its global level political-economy with the US (and Thailand) during the 1980s over its trade surplus, Japan was able to re-envision Thailand's structural economic conditions again with the Eastern Seaboard Development Program (ESDP).

The strategy was resolved to offset direct Japanese trade with Japanese under-written trade from producers in alternate locations in East Asia. Four ODA programs were envisioned for the ASEAN-4 at the end of the 1970s that would improve their productive capacities, including energy and infrastructure development, and attract FDI to those locales with the Thailand project being the strategic Eastern Seaboard Development Program (ESDF); one of the largest infrastructure projects in Thailand up to that date.³⁶⁹ Designed under Thailand's fourth and fifth Five Year Plans - with the fourth's concern with moving from labour intensive to manufacturing enterprises, and the fifth's to reduce the urbanisation that had developed in Bangkok in addition to exploiting the 1973 gas discoveries in the Bay of Thailand - the ESDF was a grand plan in socio-technical engineering.³⁷⁰ It would lead to the creation a deep water port in Bangkok, the Laem Chabang and Ma Ta Phut ports, road connectivity to and from, and industrial parks with connective infrastructure. The multiplier impact led to Board of Investment certified investments in Thailand's Eastern region increasing from 23 per cent in 1991 to 75 per cent in

³⁶⁸ Furuoka, Fumitaka. (2007) 'Japan's Positive and Negative Aid Sanctions Policy Toward Asian Countries: Case Studies of Thailand and Indonesia'. *Munich Personal RePEc Archive*, Paper No. 6218

³⁶⁹ Kitano, Naohiro. (2014) 'Japanese Development Assistance to ASEAN Countries'. In Shiraiishi, Takashi & Kojima, Takaaki (eds.) *ASEAN-Japan Relations*. Singapore: ISEAS Publications

³⁷⁰ Fumiharu, Mieno. (2013) 'The Eastern Seaboard Development Plan and Industrial Cluster in Thailand: A Quantitative Overview'. In Nissanke, Machiko. and Shimomura, Yasutami. (eds.) *Aid as Handmaiden for the Development of Institutions: A New Comparative Perspective*. Hampshire and New York: Palgrave Macmillan.

1997.³⁷¹ The ESDF program, from 1982-1993, did not create Japanese economic power in Thailand as Japanese companies had already built up a solid base before 1982; however, the Eastern Seaboard Development Program consolidated it and allowed Japanese production in Bangkok to go regional and later, global. This sort of large scale re-configuring of economic structures that Thai elites accept from Japan's aid machine, is arguably being re-envisioned for the Mekong itself. Thailand's role within not only regional production but also now sub-regional GMS integration and Thailand plus One production is the master plan that the ESDF helps to occur.

This integration agenda is going to come under pressure from China, and Japan's aid is increasingly being securitised as a result. In northern Thai provinces, pressures from China have been noted by Japan and US political elites, as a series of embassy status upgrades have taken place. The US representation in Chiang Mai was upgraded in 1986 from 'consulate' to 'consulate general' status, and is the only official presence outside of Bangkok. In 2004, the Japanese government did the same, and in 2005 appointed the first Thai-speaking ambassador, Horikoshi Hisao. The increased emphasis was cited as being for three ostensibly economic related issues,³⁷² however the US noted the Japanese ambassador's clear understanding that China's increased economic engagements were also means of securing political and strategic gains.³⁷³ The only other consulate general in Chiang Mai represents China.

These shifts in behaviour in northern Thailand are being matched by increased co-operation in southern Thailand, particularly around Thailand's important coastal regions and local sea-lanes. US diplomatic cables reveal US diplomats in Bangkok concerned about the increasing ties between Thailand and China in the fields of diplomacy and military operations. After the 2006 military coup in Thailand, the US suspended \$24 million in military assistance while China used its normal argument of 'internal affairs and therefore none of our business' and provided \$49 million in military aid to Thailand.³⁷⁴ This is a problem for the US, and through them, Japan, as Thailand is regarded by the US as unusually useful among its East Asian military allies due to its willingness to host multi-lateral training events, and is one of only five military treaty allies in East Asia (also Japan, Philippines, South Korea and Australia).³⁷⁵ The 'Cobra Gold' exercises, which often focus upon disaster and evacuation training, peace keeping training, and more recently anti-terrorism training, are a chance for Thailand to demonstrate its status in the regional neighbourhood, which others are less willing to need to do. Also through the Cobra Gold initiative, Japan's military re-engagement in South East Asia is slowly becoming legitimised, and there are clear desires in the US and Japan for this to increase more in the future,³⁷⁶ with the Japanese coast guard providing protection which Thailand cannot.³⁷⁷

³⁷¹ JICA [Online] *JICA/OECF Joint Evaluation: Thailand - Eastern Seaboard Development Program*. Available at http://www.jica.go.jp/english/our_work/evaluation/reports/2000/pdf/2001_0420.pdf (accessed 15.03.2014)

³⁷² (1) the growing number of 'long-stay' Japanese citizens in northern Thailand, (2) specific requests from Japanese businesses in nearby Lamphun province, (3) interest in Burma border issues and transnational drug trafficking

³⁷³ US State Department Cable (from: US Consulate General Chiang Mai, to: unclassified open release). Subject: *Japanese Consulate General Expanding Presence in Northern Thailand*, cable. CHIANG MAI 000215, 03.10.2005. Available at <http://wikileaks.org/cable/2005/10/05CHIANGMAI215.html>, ref: 05CHIANGMAI215 (accessed 05.03.2014)

³⁷⁴ US State Department Cable (from US Embassy Bangkok, to various embassies in the Asia-Pacific). Subject: *China's Sustained, Successful Efforts to Court Southeast Asia and Thailand -- Perspectives and Implications*. 02.02.2010, cable: B.09 BANGKOK 2851, February 2nd 2010. Available at http://www.wikileaks.org/plusd/cables/10BANGKOK269_a.html, ref: 10BANGKOK269_a (accessed 03.02.2014)

³⁷⁵ US Diplomatic Cable (from: US Embassy Bangkok, to: US State Department Bureau of East Asia and the Pacific). Subject: *Working with Thailand to engage other Militaries in Asia*, cable: BANGKOK003945, June 15th 2005. Available at <http://wikileaks.org/cable/2005/06/05BANGKOK3945.html> (accessed 05.04.2014)

³⁷⁶ US Diplomatic Cable (from: US Embassy Bangkok, to: various). Subject: *Thailand: Moving forward with the Cobra Gold Initiative*, cable: BANGKOK000740, July 2nd 2007. Available at <http://wikileaks.org/cable/2007/02/07BANGKOK740.html>, ref: 07BANGKOK740 (accessed 05.03.2014)

Japanese representatives desire to conduct mass casualty exercises at Bangkok's airports, focusing on dealing with the possible outbreak of weapons of mass destruction. See: US Diplomatic Cable (from: US Embassy Bangkok, to: various). Subject: *US-Japan-Australia CT Dialogue: Military Discussions*, cable: BANGKOK 002534, April 5th 2007 Available at <http://wikileaks.org/cable/2007/05/07BANGKOK2534.html>, ref: 07BANGKOK2534 (accessed 04.03.2014)

³⁷⁷ US Diplomatic Cable (from: US Embassy Bangkok, to various). Subject: *Thailand: who needs a coast guard?*, cable: BANGKOK001690, 22.03.2007. Available at <http://wikileaks.org/cable/2007/03/07BANGKOK1690.html>, ref: 07BANGKOK1690 (accessed 04.03.2014)

The US, Japanese and Australian governments through the Tri-lateral Strategic Dialogue do not regard Thailand's southern insurgency problem as a counter terrorism issue, instead considering it an internal problem for Thailand, therefore it is really the protection of sea lanes that are the real concern for the hegemony utilizing Thailand's southern seaboard area.

6.2.3 Finance

Like its neighbours, during the 1940s and 1950s, capital accumulation in Thailand began with large SOEs largely linked to either the monarchy or with significant Sino-Thai Chinese family roots; but by the 1960s this domestic financial class began to be challenged by foreign industrial capital and investment and aid began being channelled into Thailand.³⁷⁸ Unlike its neighbours, Thailand never took the Communist turn that they did in the 1970s and so commercial capital was allowed to develop. Commercial banking had existed in Thailand since the arrival of 19th European colonialists who required banks, or rather at that time only agents or branch offices, to support their trade; the first - Shanghai Banking Corporation, opened in 1888. Ueda Yoko provides a useful periodisation of the growth of commercial banking in Thailand.³⁷⁹

- 1881-1941: Foreigner dominated. European but also strong Chinese involvement by merchants desiring to support rice milling and export.
- 1941-1950: The beginning of Thai banking. Thai authorities during and after WWII seized the European branches and promoted native Thai ownership of business (rather than Chinese).
- 1950-1955: Consolidation. Capitalisation but also stability became a concern
- 1955-1975: De-centralisation. Banks are allowed to begin opening branches outside of Bangkok and in the provinces. The 1962 Commercial Banking Act prohibits foreign banks from opening in the provinces (but did not affect established Chinese actors, who became employed as 'compradors' or advisors to Thai banks).

Ueda concludes like most other analysts that Sino-Thai families are at the bedrock of the Thai banking system; that there was always been a great deal of political patronage but not direction; and that in comparing with Japan, Thailand's commercial expansion was the result of Bangkok based exporting whereas Japan's was the result of domestic economic grade rather than foreign trade.³⁸⁰ It is this export driven need for financing that received a significant boost after the 1972 shift from ISI to EOI, especially from the then needs of a rapidly embedding set of Japanese manufacturers and exporters. Referring to fig 6.4, all forms of Thailand's external borrowing began slowing increasing from 1972 but were largely sourced through PPG debt (public or publically guaranteed debt). However from 1989, PNG debt (private non-guaranteed debt drastically increases from \$3 billions in 1989 to \$36.6 billion in 1997. Private sector debt went from representing 5 per cent of the GNI in 1989 to 41 per cent a decade later, while the public sector proportion dropped from 28 per cent of GNI in 1988 to 9 per cent by 1997. Total PNG debt for the period 1971-2013 is double that of the PPG debt; \$593 billion to \$317 billion respectively (see fig 6.5).

Much of the public debt is allocated to dealing with the private sector debt. Sukhumvit Asset Management Co., Ltd (SAM) receives by far the largest share, and was established to deal with the 1997 crash (see table 6.9). Private sector borrowing plummeted from \$48 billion in 1997 to \$26 billion in 2002, while public sector borrowing rapidly increases in order to deal with the problem, increasing from \$17 billion in 1997 to \$31 billion in 2000. The second largest priority is propping up the Bank of Agriculture and Agricultural Co-operatives (BACCs), and this is to support the Shinawatra government's rice subsidy scheme - the buying of rice from Thai farmers (and probable red shirt supporters) at rates up to 50 per cent above the market rate – which has now run out of money and which two wholesale rice auctions have not been able to replenish. From this situation it possible to surmise, that whichever actors are compelling and supporting the expansion of credit and especially private sector private capital, are involved structurally in deep political and institutional relations of power within Thailand.

³⁷⁸ Hewison, Kevin. (1988) 'The Structure of Banking Capital in Thailand'. *Southeast Journal of Social Sciences*, Vol. 16, No. 1, pp81-91

³⁷⁹ Ueda, Yoko. (1994) 'The Development of Commercial Banking and Financial Businesses in the Provinces of Thailand'. *Southeast Asian Studies*, Vol. 31, No. 4, pp385-411

³⁸⁰ *ibid*, Ueda (1994)

It was also the rapid expansion of speculative commercial capital that underlay the 1997 Asian Financial Crisis. Originating in Thailand, the crisis was as much to do with international capitalists as it was domestic capitalists; greed, over confidence and ignorance by a cabal of prominent Thai family owned banks attempting to rapidly accumulate capital cannot take away from the structural facilitators that permitted them to do so.³⁸¹ While there were four national level causes;³⁸² when related to world orders another picture emerges - that Thailand's authoritarian state and embedded native financial class were being buttressed by a liberal financial order and alternative financial classes; and the latter won. Part of that world order, was a financially powerful Japan.

6.2.3.1 Direct Influence

Japan in both public and private sector capacities has an enormous financial power in Thailand. Observing fig 6.6, Thailand began relying heavily on foreign capital from 1986. Foreign currency reserves increased from \$2.7 billion in 1986 to \$37 billion in 1996. While exact amounts of foreign currencies are kept confidential, this expansion correlates with an increase in percentage yen denominated foreign currency debt and a decline in US dollar debt. In 1981, 23 per cent of Thailand's foreign currency reserves were in yen compared to 43 per cent in US dollars. A decade later in 1991 this had switched from 45 per cent in yen to 18 per cent in dollars. From 2010 this radically shifted as the dollar was stocked up on and the yen dumped, however for much of Thailand's export growth period it has been the yen and the dollar that has significantly been powering it; averaging 34 per cent each for the period 1970-2013. Thailand has no sovereign wealth fund and has historically used large foreign currency reserves to buffer itself against changes in circumstances since the 1997 crisis; opting for the cautious central bank lending targets of low yield but low risk investments.³⁸³ This helps explain the radical shift towards the dollar in times of crisis, but it has been the yen that has been steadily relied on throughout.

Japan and Thailand have a long established finance based relationship. The Thai government first borrowed from Japan Export-Import Bank (JEXIM) and Japan's OECF (forerunner of JICA) in 1969. Since then the majority of loans have gone to Thai state enterprises. During Thailand's first development plan (1961-1966), 91 per cent of loans from JEXIM and 70 per cent of loans from OECF went to Thai state enterprises, guaranteed by the Thai state and eventually transferred into external debt.³⁸⁴ Since then, the principle agency from Japan in this context is JBIC (Japan Bank for International Co-operation) and at 2448 loans, the Thai government has accumulated the most JBIC loans among the ASEAN states (see table 6.12).

Given this it can be concluded that it has been Japanese capital that has helped to maintain a certain status quo of power in Thailand, in addition to playing a major role in the lead up to the Asian Financial Crisis in 1997. When the 2.5 trillion baht of non-performing loans after the crisis - 44 per cent of outstanding lending and 60 per cent of GDP - were transferred to the public balance sheet and into the Thai Asset Management Corporation and attendant state owned banks, it was Japanese capital to a significant degree that was under-writing many of those state banks. Not only Japan's public capital but also Japan's private capital. In 2007, Thailand passed the Financial Institutions Act, which bolstered Thailand's central bank's supervisory capacity, in addition to allowing the central bank or the Minister of Finance to raise

³⁸¹ Hewison, Kevin. (2000) 'Thailand's Capitalism Before and After the Economic Crisis'. In Beeson, Mark., Jayasuriya, Kanishka., Kim, Hyuk-Rae. & Robinson, Richard. (eds.). *Politics and Markets in the Wake of the Asian Crisis*. London & New York: Routledge

³⁸² (1) borrowing in foreign currencies without adequate hedging; (2) short term debt supported by long term assets, creating liquidity problems; (3) the fall in the baht had rapidly increased real estate and asset prices; and (4) poor allocation of credit by banks.

Lane, Timothy. D. (1999) *IMF-Supported Programs in Indonesia, Korea, and Thailand: A Preliminary Assessment*. IMF Occasional Paper 178 (Washington: International Monetary Fund)

³⁸³ However the debate has existed for a while in Thailand, and in 2013 the Thai central bank and Ministry of Finance announced the conduct of a feasibility study for the idea, while the central bank governor however said that the idea of a 'New Opportunity Fund' would not be classified as a sovereign wealth fund. A hazy date of 2015 has been set, most likely to time with the same year target for the creation of the ASEAN Economic Community.

³⁸⁴ Tinakorn, Pranee. (1990) 'Japan's Economic Assistance to Thailand 1969-1986'. In Yoshihara, Kunio. (ed.) *Japan in Thailand*. Kuala Lumpur: Falcon Press (Kyoto University, Centre for Southeast Asian Studies)

the foreign ownership limit from 25 per cent to 49 per cent on a case-by-case basis. Furthermore, majority ownership is also permitted if both the finance minister and central bank consent; which has been granted on four occasions, allowing for the greater entry of foreign commercial capital. Japanese banks now stand at three out five of Thailand's biggest foreign banks (Tokyo-Mitsubishi, Sumitomo Mitsui and Mizuho).

The GMS priorities of energy and transportation emerge by examining which of Thailand's non-financial SOEs receive the most support. The top three government organisations are the State Railway of Thailand, the Bangkok Mass Transit Authority and the Expressway and Rapid Transit Authority of Thailand. For non-guaranteed debt, electricity is the priority with the top three government organisation's debt being with the Provincial Electricity Authority, the Electricity Generating Authority of Thailand, and the Metropolitan Electricity Authority (see table 6.10). Of the quasi-government public companies and public limited companies, the reverse is true concerning guaranteed or non-guaranteed debt, with government guaranteed debt being very small. The most indebted of these companies by far are Public Company Limited (a vague name Thailand's main oil and gas company) and Thai Airway International Public Co., Ltd (see table 6.11).

6.2.3.2 Indirect Influence

Not only was Japan intimately involved in the run-up to the 1997 crisis by lending and supporting Thailand's native financial class structure, Japan has also been intimately involved in the post-crisis resolution, and in a particularly Japan focused interests way. In December 1998, Japan provided \$1.9 billion to Thailand under the New Miyazawa Initiative,³⁸⁵ the first of three fiscal moves to re-generate the post-1997 crashed economy (followed by a VAT reduction and increased tax-free income limit).³⁸⁶ In return, while an IMF bailout and attendant neo-liberal solutions were proffered to Thailand, two solutions were also being attempted that were out of line with Bretton Woods institution's approach and had received significant support and involvement from the Japanese state - the Industrial Restructuring Program and the SME Promotion Programme.³⁸⁷ The first was the attempt by Japan to sculpture the Thai economy in ways regarded as better, by identifying select export industries, introducing a new institution - a public/private institute to draft industrial policy, and creating new bodies to inspect and standardise goods.³⁸⁸ On the second, modelled on Japan's Institute for Small Business Management, the Small Business Act (2000) would create an institution and a fund to help small businesses (i.e.: Japanese SMEs) when they encounter problems operating in Thailand.³⁸⁹ These institutional changes underpinned by financial material power, accord with the GMS objectives of 'greater public-private cooperation'; demonstrative of Japan's indirect structural power to create or change one set of rules to align with wider objectives.

There are a number of other examples of this tendency for Japan to financially aid Thailand but also manoeuvre to use the kingdom as a testing ground for generating regionally oriented financial structures that Japan can influence. This has a well-established historical pedigree. Thailand, and Indochina generally during WWII, was assigned a 'special yen account', a step on the way towards networking Thailand into a very well established system of financial imperialism involving the creation of a yen bloc in East Asia.³⁹⁰ The desire was to create a

³⁸⁵ Ministry of Finance [Online] *Japanese Financial Support to Thailand Under the Framework of the New Miyazawa Initiative*. Available at https://www.mof.go.jp/english/international_policy/financial_cooperation_in_asia/new_miyazawa_initiative/e1e059.htm (accessed 20.02.2014)

³⁸⁶ Krongkaew, Medhi. (2001) 'A Tale of an Economic Crisis: How the Economic Crisis Started, Developed and is Ending in Thailand'. In Zhu, Yunpeng & Hi, Hal. (eds.) *The Social Impact of the Asian Financial Crisis*. Cheltenham: Edward Elgar Publishing

³⁸⁷ Suehiro, Akira. (2008) *Catch-up Industrialisation: The Trajectory and Prospects of East Asian Economies*. Singapore: National University of Singapore Press

³⁸⁸ *ibid*, Suehiro (2008)

³⁸⁹ *ibid*, Suehiro (2008)

³⁹⁰ Metzler, Mark. (2006) *Lever of Empire: The International Gold Standard and the Crisis of Liberalism in Prewar Japan*. Berkley: University of California Press. Metzler outlines how beginning in 1876 with Shibusawa Eiichi's 'Dai-ichi' (*First*) Bank setting up in Korea, twenty seven years later assuming complete control over the Korean monetary system, the desire was created by Japanese imperial elites to build a yen based gold standard to challenge the British sterling gold standard.

monetary order in East Asia based on the yen that could replace the historic roles of pound sterling and US dollar in the region – all currencies in the region would be linked with, and equal to, then yen.³⁹¹ This involved Japan creating illegal currencies,³⁹² a wartime scrip – using Thai baht to pay for goods exported from Thailand in addition to goods and services bought locally, paid for by special yen accounts between the Bank of Siam and the ostensibly commercial banks ‘Yokohama Specie Bank’ and ‘Southern Development Bank’ (organs of the imperial state), using yen that could not be redeemed for goods or gold in Japan.³⁹³ The post-WWII legacy of this for Japan-Thai economic relations was the ‘special yen problem’ and indeed the treaty and reparations agreement initiating re-establishment of bi-lateral relations, the first post WWII East Asian country that Japan would re-engage with, is titled ‘Certain Claims for Reparations by Ex-Axis Countries and Neutral Countries: Agreement between Japan and Thailand concerning Settlement of ‘Special Yen Problem’ (1948-1952).

When Japan’s phoenix economy was in full upswing, arguments began appearing during the 1980s of the (re)formation of another ‘yen bloc’,³⁹⁴ and in August 1988 Thai Prime Minister Chatchai’s proposal of ‘turning Indochina from a battlefield to a market place’ also contained within it the notion of a ‘Baht Economic Zone’ which would underpin what would become the GMS countries. Such a Baht based zone would, evident of the statistics cited above, have in reality been a ‘Yen Economic Zone’. Given the challenge these forms of financial integration would make on the dollar, the US resists these ideas. And so, Japan has instead been developing its structural level financial hegemony in a more circumspect and multilateral (where necessary) fashion.

One has been Dr. Kanit Sangsubhan of Thailand’s Ministry of Finance 2003 proposal of an Asian Bond Market Initiative (ABMI), which would allow for the raising of regional level debt based capital. This would allow ASEAN countries the ability to ‘self-help’ in times of crisis. In reality not a Thai idea, Japan’s JBIC (Japan Bank for International Co-operation) had been campaigning regionally for the creation of something akin to the Asian Bond Markets Initiative whereby the ASEAN+3 would guarantee the value of local currency denominated bond sales. This powerful idea led to the first issuance of a corporate bond on June 21, 2004 for Thai joint venture ‘Tri Petch Isuzu Sales’ to the value of 3.5 billion baht. Although in this case ‘Thai joint venture’ actually meant a Thailand *based* joint venture between two Japanese corporations, Mitsubishi Corporation and Isuzu Motors.³⁹⁵ A second and broader scale government bond issuance was then permitted on August 30, 2005 for a 5 year, 4.78 per cent coupon bond, totalling 3 billion baht. Bangkok based Japanese banks - Tokyo-Mitsubishi Bank, Mizuho Corporate Bank and SMBC, then purchased these bonds.³⁹⁶ The case JBIC makes for such a mechanism is that it allows for borrowing to occur without the problems of currency shifts, however it also seems a perfect mechanism of recycling Japanese money abroad back into Japan, and for transferring private international corporate risks onto the public balance sheet. It also provides Japanese firms active abroad a large advantage as they can borrow in the local currency rather than the fluctuating yen.

The ABMI facilitated another financial creation - two-step loans. This is a loan provided not between two agents but by proxy between three. The Japanese state can lend in yen to a local

³⁹¹ Swan, William. L. (1989) ‘Thai-Japan Monetary Relations at the Start of the Pacific War’. *Modern Asian Studies*, Vol. 23, No. 2, pp313-347

³⁹² The Japanese Ministry of Finance clearly knew the practice was illegal as they themselves admit: “In the last analysis, military scrip has no legal basis. There is no law mandating its circulation. Thus in the strict sense it is not currency. It is a certificate with no time limit, no interest and no signature, and only to the extent that a creditor accepts it as payment is it effective in concluding a settlement. Within that limit it corresponds to money and serves the purpose of paying for military expenditures in the expeditionary areas overseas. In short, scrip corresponds to government issued paper money which has no law authorizing its circulation”.

- *ibid*, Swan (1989), p. 315.

³⁹³ Huff, Geoff. & Majima, Shinobu. (2013) ‘Financing Japan’s World War II Occupation of Southeast Asia’. *The Journal of Economic History*, Vol. 73, issue 4, pp937-977

³⁹⁴ Kwan, Chi. H. (2001) *Yen Bloc: Towards Economic Integration in Asia*. Virginia: R. R. Donnelly & Sons

³⁹⁵ JBIC (2004) *Guarantee for Baht-Denominated Bond Issued by Japanese Affiliate in Thailand: First Bond Issue Guarantee under the Asian Bond Markets Initiative* [Online] http://www.jbic.go.jp/wp-content/uploads/page/2013/08/754/G04-04-01_b.pdf (accessed 02.04.2014)

³⁹⁶ JBIC (2005) *JBIC Issues Thai Baht Bonds: First Asian Currency Bond Issue under ABMI* [Online] http://www.jbic.go.jp/wp-content/uploads/page/2013/08/754/G04-04-01_a.pdf (accessed 02.04.2014)

Japan affiliate, which then lends in the local currency to the Japanese business. In 2005, JBIC - managed by Japan's International Finance Corporation which itself reports to the Ministry of Finance - offered Thailand its first 'two-step' loan agreement.³⁹⁷ This effectively creates a financial tether between Japanese financiers abroad with ultimate financial backing from Tokyo; the internationalisation and 'Thai-ification' of keiretsu organisational arrangements.

Third, has been the notion of creating a currency swap reserve pool, that would allow ASEAN to take advantage of ASEAN+3 strength to hedge currency shifts against the reserve pool rather than follow the sort of prescriptions laid out by the IMF in the aftermath of the 1997 crisis. The 2010 Chiang Mai Initiative, whereby the ASEAN+3 would contribute 80 per cent of the total of a \$150 billion currency pool, in addition to a \$200 billion debt pool (outside of the Asian Development Bank), was the embodiment of this and Thailand has been using its position within ASEAN behind the scenes to garner support for the CMI.³⁹⁸ Political difficulties between the '+3' part of the pool have not stopped Japan and Thailand pushing ahead, and the creation of the Joint Working Group for Development of Thailand-Japan Financial Cooperation (JWGF Japan-Thai), which met for the first time in April 2013, had a focus upon developing the currency swap mechanisms.³⁹⁹

In these ways, Japan is able to use its superior financial position to not only de-escalate financial crises, nor to create structural financial arrangements, but can also rely on Thailand to act as its proxy within ASEAN and with its Mekong neighbours.

6.2.4 Trade

Since electing to integrate fully into the global trading order, Thailand began trading in higher and higher volumes but largely not gaining much from it (see fig 6.7). In 1980, global trade was \$23.3 billion; by the turn of the millennium it had expanded to \$161 billion and by 2012 it had risen to \$606.4 billion. However in only nine years out of that thirty-two year span has Thailand's balance of trade been in surplus, and only by slight amounts compared to the overall volume. Observing the levels of global trade (see fig 6.8), Thailand's trade patterns are highly globally oriented rather than with its region or its Mekong sub-regional neighbours - a trend that is expanding - but this volume of trade is marked by high volatility compared to Thailand's largely surplus enjoying trade with ASEAN and the MRBCs (see fig 6.9).

Comparatively speaking, Japan has been Thailand's largest trading partner since 1980, however after 2004 Thailand's trade with ASEAN overtook trade with Japan, likely due to the resolution of tariff line reductions to meet the ASEAN FTA target date of 2006; but China began ranking third place since 2010 (see fig 6.10). The balance of trade with these trading partners reveals a highly differentiated picture (see fig 6.11). Whereas trading with Japan or China results in almost permanent trade deficits, trading with the West (US and EU) in addition to ASEAN results in the reverse of almost permanent trade surpluses. These trade deficits with Japan led to street protests in Thailand during the 1970s against a 'new economic imperialism' from Japan; although correlating these two phenomena must be done with some caution considering the highly political times of the 1960s-1970s student and democracy movements. ODA was used to build some 'co-operation centres' and sponsor some university departments (see below) and the wrinkle was smoothed over, with the Thai government regarding this ODA as compensation for the trade surpluses Japan was enjoying.⁴⁰⁰

³⁹⁷ JBIC [Online] *JBIC Provides Thai Baht Two-Step Loan: First Asian Currency Loan under ABMI*. Available at <https://www.jbic.go.jp/en/information/press/press-2005/0915-6937> (accessed 14.03.2014)

³⁹⁸ US Diplomatic Cable (from: US Embassy Bangkok, to: various). Subject: *Thailand, Energized By Financial Crisis, Pushes Multilateral Currency Pool*, cable: BANGKOK003336, 07.11.2008 <http://wikileaks.org/cable/2008/11/08BANGKOK003336.html> ref: 08BANGKOK3336 (accessed 02.02.2014)

³⁹⁹ Japanese Ministry of Finance (2013) *The Enhancement of Financial Cooperation between Thailand and Japan* [Online] http://www.mof.go.jp/english/international_policy/financial_cooperation_in_asia/bilateral_financial_cooperation/20130503_thailand.pdf (accessed 15.03.2014)

⁴⁰⁰ Soderberg, Marie. (1996) 'Road to Development in Thailand'. In Soderberg, Marie (Ed.) *The Business of Japanese Foreign Aid: Five Cases from Asia*. London: Routledge

Thailand's imports and exports are overwhelmingly in machinery, with distant second and third level traded commodities being in machinery and minerals for imports, and food and manufactured goods for exports (see fig 6.12 & fig 6.13). This trend towards trade in machinery has expanded steeply compared to other commodities since 1995, with exports relatively unaffected by the 1997 crisis but imports strongly affected, while at the time of the 2007/2008 global financial crisis both were strongly affected (see fig. 6.14 & fig 6.15). This demonstrates the fact that Thailand's export-led model, supported by being part of Japan's networked Asia, allows for exports to continue steadily to the receiving country Japan in the period of a localised economic problem. However, when there is a global level crisis, which affects the hegemon, Japan, then imports and exports are both affected.

If Japan's trade with Japan is focused upon in isolation, it is possible to discern a correlation between this bilateral trade and Thailand's global level trade detailed above. The top ten commodities traded between the two economies are essentially the materials required to build cars, motorbikes or an array of electronics products (see table 6.13). The top two traded commodities - machinery and electronics - expanded dramatically after the latecomer Indochina economies settled into ASEAN and the ASEAN FTA began taking effect from 1990 (see fig. 6.16). This is very good for Japan's balance of trade but less so for Thailand's, as exports of these commodities from Japan to Thailand are consistently double that of imports from Thailand (see table 6.14), and in those commodities that Thailand's differentially exports - food and agricultural products - Thai exporters face the layers of informal trade barriers presented by Japan's LDP/JA agriculture interests.⁴⁰¹ Given the superior productive power outlined above, and the conclusion made there - that 'Thai production' is to a large actual extent 'Japanese production', examining the trade patterns from Thailand to the world and between Thailand and Japan, it is reasonable to conclude something similar here; that a lot of Thailand's trade is in fact Japan's trade.

6.2.4.1 Direct Influence

Direct trade power or, the ability to directly manipulate the terms of trade is clearly in evidence. The main bi-lateral free trade deal or 'Economic Partnership Arrangement' (EPA) that Thailand has with Japan took a long time to gestate and was highly controversial in Thailand. It was proposed in 2001 by Thaksin Shinawatra to fellow neo-liberal Koizumi Junichiro in 2001, encouraged in within Japan by Keidanren (Japan Business Federation),⁴⁰² but took six years to agree to (compared to the more speedily arrived at two years for the Japan-Vietnam EPA. In 2007, the final FTA was signed - the 'Japan-Thailand Economic Partnership Agreement' (JTEPA) - focusing on tariff reduction package for both sides - Thai primary goods (food stuffs), and Japanese secondary goods (cars and manufactured parts).⁴⁰³ Prior to JTEPA Japanese tariffs averaged 2.67 per cent that would be reduced to an average of 0.8 per cent in the first year; Thailand's average tariffs prior to the FTA were 9.09 per cent to be reduced to an average of 0.17 per cent by 2019. The JTEPA process was non-transparent and passed in both the Japanese and Thai parliaments without public awareness or availability of information, with then Prime Minister Abe Shinzo not even stopping to wait for a democratically elected Thai official to co-sign, instead allowing Surayud Chulanont - a retired military general who was put in office by the Thai supreme court after the 2006 military coup against Thaksin Shinawatra - to sign the deal.

A key focus of disagreement in the negotiations had been steel; crucial to the car manufacturers. Thai negotiators wanted a distinction between 'possible to make in Thailand' and 'impossible to

⁴⁰¹ For example contract laws only acceptable in Japanese; complicated distribution systems; rules of origin stipulations; customs practices and bureaucracies; complex rules governing the use of products in markets (eg: mobile phones working on different signals, health and safety rules governing how foods can enter the supermarket, accounting standards used only in Japan and not internationally rationalisable)

⁴⁰² Nippon Keidanren (2003) *Urgent Call for the Opening of Negotiations toward Japan-Thailand Economic Partnership (JTEP) Agreement* [Online] <https://www.keidanren.or.jp/english/policy/2003/042.html> (accessed 15.03.2014)

⁴⁰³ Interestingly the Japanese side had been pushing for Most Favoured Nation (MFN) status but the Thai side obfuscated. US Diplomatic Cables (from: US Embassy Bangkok, to: various). Subject: Thai-Japan Agreement Set to Enter Into Force, cable: BANGKOK005574, October 29th 2007. Available at <http://wikileaks.org/cable/2007/10/07BANGKOK5574.html>, ref: 07BANGKOK5574 (accessed 02.02.2014)

make in Thailand', with those that are impossible to have their tariffs reduced on. Japan wanted reductions across the board for steel and car parts, which Thailand has disagreed with because Thai steel producers could not compete Japanese car producers rebutted by arguing that the quality of Thai steel is too low for their vehicles but in reality it would give them a tariff advantage over US, French and German manufactures. When negotiations were stalled, Japan's automobile companies publically went directly to then Prime Minister Thaksin Shinawatra.⁴⁰⁴ Such direct connections to the office of the Thai Prime Minister have allowed Japanese companies in the past to garner select advantages; for example Toyota has been able to gain a specific special tariff rate for a particular kind of engine in a particular model of its cars in production in Bangkok.⁴⁰⁵ The social impact of the JTEPA in Thailand, originally cheer led by Thailand's agricultural sector, soon turned sour as Thailand's exporters realised their requests had not been met in the agreement.⁴⁰⁶

6.2.4.2 Indirect Influence

In 1992 the ASEAN Free Trade Area (AFTA) was proposed, and latecomers (Vietnam, Cambodia, Laos, and Myanmar) were expected to sign AFTA before they could join ASEAN. Given Japan's strong support for the AFTA and bilateral support to the latecomer Indochina economies, it is reasonable to point to Japan's structural level trade power and the GMS framework becomes crucial here for integrating the latecomers with each other and then with ASEAN. Once a new trade unit was created, the trade bloc was expanded and reformulated into the Japan proposed 'East Asian Community'. A project of EU style significance, with the initial goal has been to create an 'ASEAN Economic Community' (AEC) by 2015 (although a wide-ranging Asian Development Bank study has cast doubt on whether the 2015 deadline will be achieved).⁴⁰⁷ Nevertheless, Japan's ability to use its superior trade position in Thailand, accompanied by the other dimensions of economic power, has lent to Japanese officials the political capital to begin re-forming trade based Southeast Asian institutions.

Another trade mechanism that Japan promotes and which affects Thailand very much, is the notion of sub-national development triangle areas; of which five have been identified in the Mekong (see chapter five) of which three inter-connect Thailand - the Emerald Triangle, the Golden Triangle, and the Green Triangle. The first is in central Thailand while the latter two are in Thailand's north and cover areas formerly known for opium growing; hence the name. These are less developed than the Emerald triangle which, established in 2000, grew institutionally, normatively and materially until 2008 when the Preah Vihear Temple dispute between Cambodia and Thailand stopped further development. Never the less, tensions since 2008 have calmed down, and there remains an underlying politico-economic infrastructure from which to easily re-build upon.⁴⁰⁸

⁴⁰⁴ US Diplomatic Cable (from: US Embassy Bangkok, to: various). Subject: *Big Compromises Push Japan-Thai FTA into final stages*, cable: BANGKOK003963, 15.06.2005. Available at <http://cablegatesearch.net/cable.php?id=05BANGKOK3963&q=japan>. ref: 05BANGKOK3963 (accessed 05.03.2014)

⁴⁰⁵ Interview with interviewee 37

⁴⁰⁶ Peamsilpakulchorn, Pajnapa. (2006) 'The Domestic Politics of Thailand's Bilateral Free Trade Agreement Policy'. *International Public Policy Review*, Vol. 2, No. 1, pp74-120 (p85)

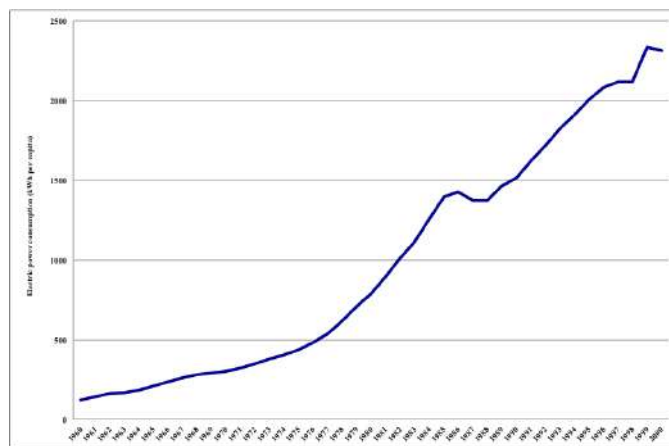
⁴⁰⁷ Many factors are cited but the over-riding one is simply that large parts of the public and private sectors in ASEAN states are completely unaware of what the AEC actually is. The Asian Development Bank sponsored study 'The ASEAN Economic Community: A Word in Progress' found that: only around 77.5 per cent of targets have been reached between 2008 to March 2013, and a slowdown was observed for the unattained targets; lack of awareness by large parts of the public and private sectors; 77 per cent, never benefited from lower tariff privileges from any free trade agreements (FTAs) signed by ASEAN, 40 per cent of them were unaware of such low tariff facilities; majority had not benefited from investment liberalisation measures; 78 per cent learned about AEC 2015 from the Internet or business contacts, and only 28 per cent from their own government. See: Hu, Albert. G. (2013) 'ASEAN Economic Community Business Survey'. In Basu Das, Sanchita., Menon, Jayant., Severino, Rodolfo., & Shrestha, Omkar L. (eds.) *The ASEAN Economic Community: A Work In Progress*. Asian Development Bank & Institute for Southeast Asian Studies. Available at <http://adb.org/sites/default/files/pub/2013/aec-work-progress.pdf> (accessed 02.03.2014)

⁴⁰⁸ Hatsukano, Naomi. (2012) 'Will the Emerald Triangle Development Cooperation Be Re-activated?: The Silent Cooperation Scheme between Cambodia, Lao PDR and Thailand.' In Ishida, Masami (ed.) *Five Triangle Areas in The Greater Mekong Subregion: BRC Research Report No.11*. Bangkok Research Center, IDE-JETRO, Bangkok, Thailand.

6.2.5 Energy

As Thailand embarked on its export led industrialisation, energy consumption rapidly rose (see below, fig E). The discovery of natural gas in the Bay of Thailand in the 1970s was a boon for Thailand's energy supply, accounting for 30 per cent of electricity generated. Fuel consumption is overwhelmingly sourced from natural gas at 82 per cent compared to only 9.8 per cent from oil. Of the bodies buying the energy, ninety-eight is for domestic consumption with Thailand's SOE's 'Metropolitan Electricity Authority' (MEA) purchasing 29 per cent and the 'Provincial Electricity Authority' (PEA) purchasing 69 per cent. However on a net basis, Thailand is a net importer energy and is the second largest net oil importer in Southeast Asia behind Singapore,⁴⁰⁹ with the dominating SOE involved being 'Public Company Limited' (PTT), formerly the Petroleum Authority of Thailand; essentially a national oil company. Like Japan, Thailand is reliant upon global energy prices and the difficulties that come with relying on the Middle East (and therefore US) for supply.

Fig. E Energy Consumption in Thailand, 1960-2000



6.2.5.1 Direct Influence

Energy provision is a large figure project item, and yen loans from Japan have aided Thailand's energy production develop over the decades. In the days of the Mekong seen in terms of the Mekong River/Mekong River Committee/resource sharing model, yen loans funded the Lam Dome Noi Hydro-Electric Project (Sirindhorn Dam) in 1969, followed by eleven more large-scale hydro projects during the 1980s and early 1980s. Major projects that were developed multiple times were the Sirikit Hydroelectric Project, the Bhumibol Hydroelectric Project, and the Ban Chao Nen Hydroelectric Project. Transmission and electricity distribution systems followed closely behind, with the Lam Dome Noi Electric Energy Distribution Systems Project in 1970, and with the multiple phase Power Distribution Systems Reinforcement Project during the 1970s-1990s yen loans were spent electrifying Thailand's rural areas.

As yen loans decreased as ODA was withdrawn from Thailand in the 1990s Japanese power required an alternative justification. One way has been to promote a renewable energy agenda. Thailand is Southeast Asia's third largest generator of biofuels (behind China and Indonesia); 82 per cent of renewable is currently in the form of biomass. Along with solar energy and further natural gas exploration, Thailand would like to expand these renewable areas of energy supply. The 'Thailand Power Development Plan: 2012-2030' from Thailand's Ministry of Energy calls for the building of more gas fired power plants to reduce greenhouse gas emissions and quickly, Japan's Gulf JP (subsidiary of Electric Power Development Company of Japan)

⁴⁰⁹ 60 per cent of petroleum and 85 per cent of crude oil needs are imported, with 78 per cent of its crude imports from the Middle East another 8 per cent from Asian supplies. See: US Energy Information Administration [Online] *Thailand*. Available at <http://www.eia.gov/countries/cab.cfm?fips=TH> (accessed 10.04.2014)

began planning to invest in the production of nine gas fired power plants in Thailand.⁴¹⁰ In 2002, the Thai Cabinet passed a law to create feed-in tariffs to encourage solar energy, however in 2010 Thailand's 'Managing Committee on Power Generation from Renewable Energy Promotion' dramatically pulled back on the number of accepted energy project applications. Lastly, the Thai government has expressed an interest in nuclear power, and wants to have a 2,000MW nuclear power plant built by 2020 and another 2,000MW by 2021.⁴¹¹ In sum, renewable energy presents Japan's energy actors with a mixed picture. Therefore, Japan's structural influence is better applied to serve Thailand's energy needs by integrating the kingdom into GMS energy plans.

6.2.5.2 Indirect Influence

As can be seen below in table H, Thailand's individual GMS energy potential is not promising. Gas comprises a large share but has already been developed and drawn on since the 1970s, and it is still not enough to move Thailand away from an energy deficit. The solution it seems, is to use the Mekong countries; largely Laos.

Table. H The GMS Energy Potential of Thailand

| | Overall GMS potential | Thailand potential | Thailand's % of GMS |
|-----------------------|-----------------------|--------------------|---------------------|
| Oil (million tonnes) | 819 | 50 | 6.1 |
| Gas (billion cu.m.) | 1,179 | 340 | 28.8 |
| Hydro (MW) | 229,031 | 4,566 | 2 |
| Coal (million tonnes) | 28,065 | 1,239 | 4.4 |

Source: ADB (2012)⁴¹²

As will be explored in more detail in the analysis of energy in Laos in chapter nine, Thailand has driven Laos's conversion into the GMS 'battery of Asia'. With 7,000MW promised by diplomatic fiat between 2015-2020,⁴¹³ Laos is developing its hydropower capacity not to benefit its own people, but to use as an export commodity to be sold to Thailand and to a lesser extent Vietnam. Chapter nine will show that, while Japan's ODA was crucial to developing hydropower in Laos during the 1960s and early 1970s, it largely withdrew after the Communist assumption to power. Since then, it has been Thai and Chinese investment that has driven this trend, leaving the power role of Japan potentially more subdued; or perhaps not. Energy projects and especially hydropower projects often involve the private sector working in complex coalitions international energy companies, also backed by export-import banks in their home countries. Japanese construction, energy and finance corporations have a long history of working together. For example, Nam Ngum 3 Hydropower Project is a coalition of LHSE (Laos), Marubeni (Japan), Ratchaburi (Thailand), and GMS (Thailand). The controversial Xayaburi Dam is being constructed by Xayaburi Power Company Limited, which was created by Thai construction company Ch. Karnchang who maintain a majority ownership. Ch. Karnchang since 1981 has operated in a partnership with Japan's Tokyu Corporation. The necessary consent has been generated in Laos by Japanese power, to shift policy towards energy generation as an export commodity; which in turn largely goes to Thailand and is used to plug Thailand's energy deficit; which has developed exponentially since industrialisation and modernisation; which has, and is, driven by Japanese ODA and FDI producers and traders. Through this nine degrees of separation it is possible to discern Japan's desire to utilise not only

⁴¹⁰ Power-Engineering [Online] *Japan's Gulf JP to invest in nine gas fired power plants in Thailand*, 10/04/2010. Available at <http://www.power-eng.com/articles/2010/10/japan-s-gulf-jp-to.html> (accessed 04.02.2014)

⁴¹¹ US Diplomatic Cables (from US Embassy Bangkok, to: various). Source: Thailand aims for nuclear power plant by 2020, cable: BANGKOK003711. Available at <http://wikileaks.org/cable/2008/12/08BANGKOK3711.html>, ref: 08BANGKOK3711 (accessed 14.02.2014)

⁴¹² Asian Development Bank (2012) *Greater Mekong Subregion Power Trade and Interconnection: 2 Decades of Cooperation*. Available at <http://www.adb.org/sites/default/files/publication/29982/gms-power-trade-interconnection.pdf> (accessed 10.03.2015)

⁴¹³ Ministry of Energy and Mines, Department of Energy Business [Online] *Powering Progress - Operational and Planned Projects*. Available at http://www.poweringprogress.org/index.php?option=com_content&view=article&id=272&Itemid=2 (accessed 20.02.2015)

Thailand for Japan's global economic strategy, but to also use the sub-regional GMS to support Thailand.

Furthermore, as can be seen in table 6.10 & table 6.11, Thailand's four big energy providers are all state enterprises or government supported public companies, and the most heavily indebted are Public Company Limited (11 trillion baht), Provincial Electricity Authority (4 trillion baht), The Electricity Generating Authority of Thailand (3 trillion baht) and The Metropolitan Electricity Authority (2 trillion baht). Given that it is largely Japanese and US capital that is funding these liabilities it can be argued that Japan has a degree of indirect power over Thailand's energy actors as the size of Japan's financial power trickles down into supporting Thailand's energy sector actors.

6.2.6 Communication

Communication based power has been left until last because Thailand's infrastructure development began in the 1970s when Japan's Mekong region plans begin. If the countries of Indochina had not turned Communist, no doubt they would possess as much communicative capacity as the average Thai. Travelling the 1,214km from Thailand's mountainous northern city of Chiang Mai to the southern beaches of Phuket is as easy as getting on a bus, but the average Cambodian or Laotian will find travelling anywhere outside of a main city a major challenge. Indeed travelling from Cambodia to Thailand by road is a visceral reminder of the civilisational impact of roads; with travel on the first being bump after bump but when the border is crossed into the second, the journeying transforming into a smooth, and quiet ride. Thailand has developed with the help of Japan, the three main forms of communicative infrastructure - roads, railways, and airports, making Bangkok what it is today; the most heavily trafficked city in the region. The focus is now is on making Thailand's system better.

6.2.6.1 Direct Influence

Since 1969, Japan has lent in yen loans to Thailand 407 billion yen for railways, 402 billion yen for roads, and 203 billion yen for airports - the top three funded sectors - and representing respectively 18.8 per cent, 18.6 per cent and 10.8 per cent of all loans to Thailand (see table 6.5). Given that Japan has historically been Thailand's largest ODA donor, it is largely Japan that has constructed Thailand's communicative infrastructure.

Historically a major problem in Thailand has been the quality of the road network, due to lack of investment, frequent flooding, and poor inter-connections especially in the countryside. Japan's first yen loan arrived for roads with the Phun Phin-Phattalung Highway Project (started 1974 and accords with Thai Highway 401 which crosses Thailand's southern region where the Kra Canal would be) and subsequent major projects have been the Dao Kanong-Klong Toey Port Expressway Project (started 1982 and accords with Thai Highway 3 that runs from Bangkok south-east into the ESDP project in addition to the GMS south-south corridor); the Bangkok-Chonburi Highway Construction Project (started 1990 and runs south from Bangkok to industrial bases in Chonburi province); and the Regional Road Improvement Project (started 1994 and largely focused on widening and therefore improving capacity). Japanese automakers and textile manufactures are also interested in developing the Mae Sot-Myawaddy border point between Thailand and Myanmar that could allow easier transportation across the peninsula from the Thilawa SEZ to Bangkok.⁴¹⁴

At 4,326km of track, Thailand is second to Myanmar among the GMS countries for most amount of railway infrastructure. At 12.5 billion baht and 8.6 billion baht respectively, the State Railway of Thailand and the Bangkok Mass Transit Authority have the first and second highest non-financial sector government guaranteed debt in Thailand (see table 6.10). Moreover, the 'Mass Rapid Transit Authority of Thailand', an SOE guaranteed by the Thai government, maintains the second largest government guaranteed debt (see table 6.10) in addition to being

⁴¹⁴ JETRO (2012) *Survey on Business Needs and Strategies in the Mekong Sub-region 2012*. [Online] https://www.jetro.go.jp/en/jetro/topics/1208_topics2.html (accessed 10.01.2014)

one of the largest recipients of Japanese ODA (see table 6.7). Considering the level to which Thai debt is funded by Japanese capital, Japan is indirectly supporting these endeavours. Thailand's 'Future 2020' project envisions: (1) the linking up of greater Bangkok, (2) the linking of Thailand's regions with Bangkok, (3) the regional linking of Thailand with China and Indochina and (4), where possible, to bring high speed rail into the network to speed it up. Again, considering the degree to which Thailand's debt is being financed by Japanese lending, Japan is indirectly underwriting these plans.

Thaksin Shinawtra's government was keen to attract foreign investment for the building of Bangkok's 'Suvarnabhumi Airport', which was done with heavy investment from the Japanese government.⁴¹⁵ JBIC ODA loans are currently being channelled towards expanding it, and a major project lasting from 1999 to the present has been the 'Second Bangkok International Airport Development Project' into its seventh stage (and round of funding) (see table 6.7). Furthermore, Thai Airways, Thailand's national carrier, is the second most indebted public company (by non-guaranteed debt, see table 6.11), aggregating between 2005-2013 4.5 trillion baht of debt that is largely funded by Japanese and American capital.

6.2.6.2 Indirect Influence

In wider terms, Japan has not only been working to connect Thailand with itself and its neighbours, but also with the world trading system. The Eastern Seaboard Development Program (ESDP) detailed above was the major connectivity conduit that connected production and trade in Thailand with global economic networks (see below, fig F), altering the very structure of Thailand in relation to the global economy. Laem Chabang Port facilitated Thailand's ability to dramatically increase its export capacity. Japanese corporation's ability to export out of the Bangkok bay has dramatically increased their economic power in Thailand and yet a problem remains - geography. Traffic has to still travel far south, around the Malacca Strait where piracy is a major issue, and out into global sea-lanes. Once the ESDP was completed, Japanese elites developed bigger plans - remove the obstacle of geography altogether.

Fig. F Laem Chabang Port and Global Transport Channels



⁴¹⁵ In 2006 Thaksin also rushed through an expansion of his northern home town Chiang Mai International Airport, with plans for it to be hub of the Greater Mekong Subregion. The US consulate in Chiang Mai noted that all of the total \$54 million contracts were given to companies with ties to Thaksin, including 'Sino-Thai Engineering and Construction' (Bangkok) and 'Chiang Mai Construction Company' (Chiang Mai). The airport was commandeered by the Japanese in WWII but is now a transit point for *shitake* mushrooms to Japan from southern China.

- US Diplomatic Cable (from: US Consulate General Chiang Mai, to: various). Subject: *Airport Expansion Unprepared for Early Takeoff*, cable: CHIANGMAI000189, October 31st 2006. Available at <http://wikileaks.org/cable/2006/10/06CHIANGMAI189.html>, ref: 06CHIANGMAI189 (accessed 04.03.2014)

⁴¹⁶ Global PSA [Online] *Ports around the World: Southeast Asia (Thailand, Laem Chabang)*. Available at <https://www.globalpsa.com/wp-content/uploads/EASTERN-SEA-LAEM-CHABANG-TERMINAL.pdf> (accessed 04.04.2015)

In 1983 and 1984, two conferences were held in Bangkok supported by ‘Executive Intelligence Review’ and ‘Fusion Energy Foundation’ (both brainchildren of US politician Lyndon LaRouche), and involving the Mitsubishi Research Institute,⁴¹⁷ which explored the possibility of developing a sea level canal that would cross Thailand – the ‘Kra Canal’ (see below, fig G). Potentially longer than the Panama Canal, and bypassing East Asia’s lifeline, the Malacca Strait, it would be blown out of the landscape with ‘peaceful nuclear explosives’ (PNEs). Built in the ‘Kra Isthmus’ region, the idea is an old one, going back to the time of the British Empire when dams and canals were the sinews of imperial power. The idea has not gone away, and a 2004 study for the US Secretary of Defense noted how China was willing to invest (in addition to India) \$20 billion dollars to make the Kra Canal a reality.⁴¹⁸ A figure close to Japanese plans in Thailand revealed that Japan also has lingering desires to cross the peninsula however whenever the Kra Canal concept is raised in ASEAN, Singapore will moot it.⁴¹⁹ As such, the most politically viable plan to cross the Mekong is through the GMS connectivity project and for that, Myanmar’s Dawei is required.

Fig. G The Kra Canal Plan



Source: Billington (2011)⁴²⁰

The success of the Eastern Seaboard Development Plan and the ‘porting’ of Thailand into global trade networks represents an example to other Mekong states and one that Japan can use for example in other ports of interest, such as Myanmar’s centrally located Dawei. The Dawei SEZ (DSEZ) would be the final Western step in connecting either the GMS’s East-West Economic Corridor or the South-South Economic Corridor. It is not within the remit of this study to explore this any further as Myanmar, as explained in chapter two, was excluded from consideration due to predicted research methodology issues. However connecting Thailand Westwards into Dawei, in addition to Eastwards down into Phnom Phnom and Vietnam’s Mekong Delta, would be the final piece of the GMS communications based puzzle (see below, fig H).

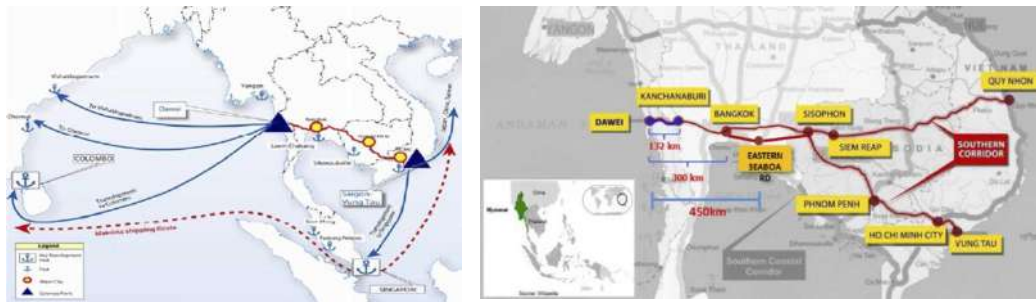
⁴¹⁷ Panda, Ankit. (2013) ‘How a Thai Canal Could Transform Southeast Asia’. *The Diplomat*, 01.12.2013 [Online] <http://thediplomat.com/2013/12/how-a-thai-canal-could-transform-southeast-asia/?allpages=yes> (accessed 04.02.2014)

⁴¹⁸ MacDonald, Juli. A., Donahue, Amy. & Danyluk, Bethany. (2004) *Energy Futures in Asia: Final Report*. McClean, Virginia: Booz-Allen & Hamilton

⁴¹⁹ Interview with interviewee 19

⁴²⁰ Billington, Mark. O. (2011) ‘Kra Canal, one of Larouche’s ‘Great Projects,’ is back on the agenda’. *Executive Intelligence Review*. Vol. 38, No. 34, pp17-19 [Online] http://www.larouchepub.com/eiv/public/2011/eivr38n34-20110902/17-19_3834.pdf (accessed 02.02.2014)

Fig. H Dawei, Thailand and GMS Connectivity



Source: Kruewan (2014)⁴²¹

6.3 JAPAN, THAILAND, AND HEGEMONY II: INSTITUTIONAL POWER

6.3.1 Exogenous and Endogenous Institutional Influence

To a large extent the institutional impact of exogenous forces has been less marked by hegemony than in the other case studies of this study due to the Thai elite's opting to join the Western, pro-Capitalist world order after WWII. Thailand's immediate joining of SEATO, followed by being a founding member of ASEAN, followed by joining the Bretton Woods institutions and the ADB, all demonstrate a Thailand moving in one world order direction rather than another. However, since all of Thailand's neighbours opted to shift towards the opposing world order, for much of the Cold War Thailand became the US's frontline battleground state in the regional manifestation of a clash between these two world orders. In politico-economic terms, this meant large injections of US military aid that went into supporting a military class adjoined to Duncan McCargo's 'network monarchy', that has survived within the shell of Thai democracy ever since. A tension has existed within Thailand however, as to which *form* of capitalism Thailand should adopt; a tension between the idea of being an NAIC (newly agro-industrialised country) or an NIC (newly industrialising country). The former pervaded during the 1950s and 1960s, while the latter won through from 1972 (although a form of the latter rose to greater prominence after the 1997 crisis with King Bhumibol's 'philosophy of sufficiency'). After which a new endogenous institutional architecture emerged to handle the incoming exogenous forces of industrial capitalism.

Thailand's decision to modernise had been made as far back as King Chulalongkorn in the 19th century. After WWII, in 1950 the National Economic Board (NEB) was created to study and create five-year economic plans. It was renamed the National Economic Development Board (NEDB) in 1959 and then re-launched in 1972 as the current National Economic and Social Development Board (NESDB), institutionally rooted in the Prime Minister's Office. The first National Economic Development Plan was launched in 1961 and just ten years later it would change direction. To facilitate this modernisation and the five years plans; the powerful gatekeeper institution of the Board of Investment (BOI) had been instituted in 1959. With the shift towards export promotion, the BOI began to promote wholly owned foreign projects on the condition that 80 per cent of production was for export. The BOI can offer incoming firms special privileges and promotional advantages, and Japanese corporates took full advantage. By the end of the 1980s, the Thai BOI faced criticism for only promoting large foreign firms and in 1989, a proposal was made to abolish the agency due to a declining need to attract foreign investment. The agency survived, however with its promotional mandate removed. Three main pieces of legislation were created that continue to shape FDI in Thailand:

- Alien Business Law (1972) restricted majority foreign ownership in certain activities but was amended in 1999 to relax the limits on foreign participation in some sectors and

⁴²¹ Kruewan, Mahesuan. (2014) *Thailand Development Policy for Neighboring Countries: Dawei Development Project Case Study*. Ministry of Finance, Policy Research Institute (30.07.2014). Available at http://www.mof.go.jp/pri/international_exchange/visiting_scholar_program/ws2014_b.pdf (accessed 02.03.2015)

reduce the limits on foreign ownership of firms and the manufacturing of certain products. Later revised into the Foreign Business Act of 1999.

- Investment Promotion Act (1977); revised into the Investment Promotion Act 2 (1991); revised into the Investment Promotion Act 3 (2001). This sets out the incentives provided to foreign investors.
- Industrial Estate Authority of Thailand Act (1979). This created the ability to build special economic zones, which would be administered by the Industrial Estate Authority of Thailand and overseen by the Ministry of Industry.

This architecture has served as the model Japan has attempted to replicate in the CLV economies. As summarised below in table 1, there is a great deal of similarity between the institutional forms that Thailand developed and equivalents in the other Mekong countries that Japan promotes.

Table. 1 Thailand as Legal/Institutional Role Model for its Reforming Neighbours

| | | Thailand | Vietnam | Cambodia | Laos |
|------------------------------------|--------------------|--|--|--|--|
| Central Actor | | National Economic and Social Development Board | Central Committee | Council for the Development of Cambodia | Central Committee |
| Becoming foreigner friendly | Law | Alien Business Law (1972) | Law on Foreign Investment (1987) | Law on Investment (1994) | Foreign Investment Code (1988) |
| | Institution | Board of Investment | Ministry of Planning and Industry (MPI) | Cambodian Investment Board | Ministry of Planning and Industry (MPI) |
| Gaining status and benefits | Law | Investment Promotion Act (1977) | Law of Enterprise (2000) | Law on the Amendment to the Law on Investment (2005) | Investment Promotion Acts (1994) |
| | Institution | BOI Promoted Companies | Export Processing Enterprise (EPEs) | Qualified Investment Projects (QIPs) | Export Processing Enterprise (EPEs) |
| Installing physicality | Law | Industrial Estate Authority of Thailand Act (1979) | Law on Investment (1992) | Establishment and Management of the Special Economic Zone (2005) | Law on Investment Promotion (2009) |
| | Institution | Industrial Estate Authority of Thailand | SEZ/Industrial Park Board (no central actor) (<i>note 3</i>) | Cambodia Special Economic Zone Board | National Committee for Special and Specific Economic Zones (NCSEZ) |

Source: author

Note 1: While the names are different many of the essential functions are the same

Note 2: The precise correlation between laws and institutional creation are not exact, and laws often overlap with each other in the creation or modification of institutions

Note 3: Vietnam is unusual in that there is no overarching central authority or legal framework governing SEZs, EZs and Industrial Parks.

6.3.2 Formal and Informal Institutional Influence

A formal channel of institutional influence is Japan's ODA relationship with Thailand. Within Japan's 'aid ladder' (see chapter four), Thailand's status has shifted from 'recipient' to 'emerging donor' and 'partner' status.⁴²² This means that while the justification for providing ODA to Thailand is less persuasive now in domestic Japan terms, in the words of the MOFA describing Japan and Thailand's 'new partnership for economic cooperation': "Joint assistance to a third country - Japan will actively promote the regional cooperation with Thailand, considering the significance of the country in the region and seeing its shift to donor country. While respecting the initiatives taken by Thailand, Japan will advance joint assistance, focusing mainly on the Mekong region development [...]".⁴²³ This 'partnership' - developing from the 1994 Japan-Thailand Partnership Programme in Technical Cooperation (JTTP) (phase 2 - 2003), followed by the 1996 creation of NEDA (Neighbouring Countries Economic Development Cooperation Agency), followed by the 2004 establishment of Thailand's JICA modelled TICA (Thailand International Development Cooperation Agency) - enables Japan to not only exploit Thailand's geographic proximity but also Thailand's long established socio-political relationship in neighbouring countries.⁴²⁴ It also enables Japan to extol by proxy and gain local legitimacy from the message emerging from Mekong state Thailand, the Mekong wide normative agenda of the GMS and 'connectivity'. All of NEDA's current projects are large-scale infrastructure and all accord exactly with JICA, ADB, and Japan's Mekong agenda. Moreover, in relation to TICA, despite having a more global focus than NEDA, the largest share of project funding goes to the Mekong countries. Thailand's ODA institutions act as Japan's 'cormorant', 'fishing' by proxy in the Mekong region. At present this 'fishing' is seemingly being done case by case, and if the JTTP is to take on a wider regional orientation, for example the GMS, significant efforts will need to be made to ideationally overcome suspicions of Japanese, and Thai, historical interventionism in the Mekong countries.⁴²⁵

Informally, Japan gains from multiple informal channels of communication and direct access to Thai elites, from the Japan Committee of the Federation of Thai Industries, to the Japan-Thailand Joint Trade and Economic Committee, to any number of joint working groups and politico-economic committees. This is deeply ingrained and historical. As Hatch and Yamamura recount, Japanese technical advisers have helped write all of Thailand's five year plans since the 1980s in addition to 'prodding' Thai elites to develop amenable institutions to the Japanese way of doing business and Japan's model of economic development.⁴²⁶ Quoting a foreign ministry interviewee, Hatch and Yamamura cites: "Our motives are simple. We are trying to get Japan to use us as a fulcrum to move into Indochina. We hope to provide whatever raw materials, labour and other resources they need".⁴²⁷

6.4 JAPAN, THAILAND, AND HEGEMONY III: IDEATIONAL POWER

6.4.1 Regionally Oriented Ideas: Thailand ⇔ Japan

When ex-general Chatichai Choonhavan came to power in Thailand in 1988 and proclaimed the need to change Indochina 'from a battlefield to a market place' - the underlying logic of this statement actually reflected a Japanese economic power worldview for Indochina,⁴²⁸ and indeed it was proposed and drafted by Japan.⁴²⁹ Since then, Japan has gone on to build regionally oriented and sub-regionally ideational frameworks that both the former Indochina economies and Thailand can integrate within. Currently, the key 'big picture' guiding objective of ASEAN

⁴²² MOFA [Online] *Japan's Economic Cooperation Program for Thailand* (May 2006). Available at http://www.mofa.go.jp/policy/oda/region/e_asia/thailand.pdf (accessed 10.04.2015), p1

⁴²³ *ibid*, MOFA (2006), p. 3. & p. 4.

⁴²⁴ Interview with interviewee 25

⁴²⁵ Leelasorn, Anuman (2005) 'ODA from Japan and other Donors in Thailand'. In Arase, David (ed.) *Japan's Foreign Aid: Old Continuities and New Directions*. London and New York: Routledge

⁴²⁶ *ibid*, Hatch and Yamamura

⁴²⁷ *ibid*, Hatch and Yamamura, p. 144

⁴²⁸ Inoguchi, Takashi (2012) *Japan's International Relations*. London and New York: Bloomsbury Academic Collections (p51)

⁴²⁹ Soeya, Yoshihide (1997) 'Vietnam in Japan's Regional Policy'. In Morley, James, W. & Nishihara, Masashi (eds.) *Vietnam Joins the World*. New York and London: ME Sharp

is the notion of an 'East Asian Community', a trade bloc focusing on ASEAN+3; a Japan invention.⁴³⁰ The GMS sub-regional project is the 'small picture' objective; one that formerly was aimed at integrating the latecomer economies and is now working to hegemonically organise both intra sub-regional and inter sub-regional connectivity. In addition, Japan's working within the 'connectivity' parameters of the GMS project but in coalition with the US through the Lower Mekong Initiative' - something that Thai elites wholeheartedly sign up to,⁴³¹ demonstrates the ideational density of this particular instrument of hegemony.

6.4.2 Nationally Oriented Ideas: Thailand ⇔ Japan

The economic power of Japan has readily mingled with ideational power within Thai civil society, the target of which is affect bilateral inter-subjective frameworks rather than regionally acceptable mental maps. At the socio-cultural level of civil-society, in 1968 Daimaru established a department store in Bangkok. As any visitor to Vietnam, Cambodia or Laos will attest, it can be incredibly frustrating that even in formal stores there are no prices on anything and every single purchase means a debate; and the outcome is often not in the foreigner's favour. Thailand has remnants of this practice but in the main cities everything has been standardised with openly displayed prices. This 'civilising', this 'disciplining' can be linked back to that 1968 Daimaru store. Not only did it re-invent with Japanese logistics, it also enforced a no-haggling policy; which many local department stores including Central, followed.⁴³² The same strategy is being employed in Cambodia with the Aeon Mall in Phnom Penh - once again, Japan's efforts in Thailand serve as the lesson learnt. Later, when another socio-cultural instrument was installed - the Bangkok based 'Social Education and Cultural Centre' - between 1984-1986, controversy was caused by not only tying the grants to Japanese contractors but also to the architects designing it. Both of these institutions are designed to project favourable ideational forces about Japan into Thai society.

However, it is at the organic intellectual level of Thai society that Japan's ideational power is most keenly felt. In 1972, the Japan-Thailand Economic Cooperation Society (JTECS) was created by Japan's private sector with the support of the Japanese and Thai political establishments. It has since gone on to become METI's main point of ideational/intellectual contact in Thailand.⁴³³ In the face of the student protests of that year, the Technology Promotion Association (TPA) was added as a subsidiary in 1973 to provide seminars and training course to 'improve mutual understanding'. When a senior figure at the Technology Promotion Centre was interviewed for this study, he revealed that the TPA's remit has certainly broadened since those 'bad old days'. Now, their function is 'business matching' in a very informal ways:

Japan is very interested in CLMV now. METI wants to support. They came to us last year to discuss supporting a program for CLMV business matching. They want to setup more training projects, with the Thai-Nichi Institute as the model. You know Japan has associations in all of these countries. The Cambodia-Japan Association, Laos-Japan Association, etc. Right now they are trying to develop a Myanmar-Japan association. The Technology Promotion Association connects with all of these associations, to transmit our knowledge of working with Japan. Many of the people in these associations are alumni of Japanese universities. The TPA connects to these alumni to then build up the associations. Last year you know, Prime Minister Abe visited Thailand (Japanese leaders often visit Thailand first on their ASEAN tours). When he visited, he first came here. We also had a

⁴³⁰ US Diplomatic Cable (from: US Embassy Bangkok, to: various). Subject: Let's play two: Thailand hosts ASEAN+6 summit Rerun, featuring civil society, regional architecture, cable: BANGKOK002723, October 26th 2010. Available at <http://wikileaks.org/cable/2009/10/09BANGKOK2723.html>, ref: 09BANGKOK2723 (accessed 03.02.2014)

⁴³¹ US Diplomatic Cable (from: US Embassy Bangkok, to: various). Subject: Thailand pushes for USG engagement on ASEAN connectivity, cable: BANGKOK000385, February 16th 2010. Available at <http://wikileaks.org/cable/2010/02/10BANGKOK385.html>, ref: 10BANGKOK385 (accessed 03.02.2014)

⁴³² Mendl, Wolf (2001) *Japan and South East Asia: Vol. I - The Cold War era 1947-1989 and Issues at the End of the Twentieth Century*. London & New York: Routledge

⁴³³ Japan-Thailand Economic Cooperation Society [Online] *History of JTECS and TPA and TNI*. Available at <http://www.jtecs.or.jp/e/e-history.html> (accessed 10.10.2014)

close relationship with his father, who used to be in Ministry of Economics. Abe used to come here when he was small.⁴³⁴

Furthermore, in 1981 the Institute of Asian Studies grew out of the Japan Studies group in Thammasat University in 1981, funded by the Japan Foundation and producing the Thai-Japanese Monitoring Newsletter and the Journal of Japanese Studies. The institute's original purpose was to "invite researchers from neighbouring countries to Thailand to study the role of Japan in the development of Thailand and other countries in Southeast Asia".⁴³⁵ Out of this and in cooperation with the Japan-Thailand Economic Cooperation Society (JTECS), the Thai-Nichi Institute of Technology (TNI) Project began in 2005 and the Thai-Nichi Institute of Technology opened in 2007; a full-scale Japan funded university in Bangkok. It no longer is necessary to pursue the traditional, scholarship to Japan route. Thai students can be re-formulated *in situ*.

6.5 CONCLUSION

In summary, this chapter began by examining Japan's production power in Thailand; Japan's strongest asset. Facilitated by aid during the 1950s-1970s, Japan's construction companies followed by manufactures established themselves to such an extent that Bangkok has become the 'Detroit of Asia'. The ODA-production nexus allowed institutional power and ideational power to garner concomitant influence and Japan has had a key role in not only shifting Thailand's general economic approach in 1972, but also played a role in all subsequent five-year economic plans. With ODA having helped to construct large parts of Thailand's energy and transport infrastructure, Bangkok's productive power has given rise to not only huge trade power relations but also ported Thailand into global trading systems while increasingly also porting Mekong economies into a Thailand Plus One hubs and spokes system. So important is Thailand to Japan's sub-regional, regional and even global agenda, that the wing of Japan's financial power is often extended to Thailand to rescue the kingdom from financial distress, but also to use Thailand as proxy for the introduction of new financial instruments in the region. This working by proxy now operates on multiple levels, and Japan's 'partnership status' with Thailand on ODA allows Japan to extend influence into the GMS through Thailand, in addition to propagating Japan friendly ideas through being highly penetrated into multiple strands of Thailand's civil society.

In conclusion, this chapter has revealed a heavily hegemonic role played by Japan in Thailand, and one that is long established. While directly relating to the GMS project is not possible, since the formal alliteration of the GMS came decades later in 1992, Japan's economic power - mixed with institutional and ideational re-alignment - serve as the model that Japan uses in relation to the other MRBCs. In the following chapter, the lessons learnt in Thailand will be tested by Japan in Vietnam; a much harder prospect considering the resistance of the regime to the capitalist world order. However even here it will be shown, that the lessons learnt in Thailand can travel over to Vietnam; and with influence gained in Thailand and Vietnam, the old colonial logic is re-invigorated and generating hegemony in the sandwiched states of Cambodia and Laos becomes that little easier.

⁴³⁴ Interview with interviewee 19

⁴³⁵ Institute of Asian Studies [Online] *About*. Available at <https://sites.google.com/a/asia.tu.ac.th/institute-of-east-asian-studies-en/page1> (accessed 05.04.2015)

7.0 VIETNAM: JAPAN'S STRATEGIC PARTNER

Japan-Vietnam relations are crucial to Japanese hegemony in the Mekong, and crucial to understanding Japan's wider contemporary role in the region. Despite this, they remain under-examined in the extant literature. Vietnam was fundamental to Japan's regionalisation plans as far back as the 1970s and remained so; with the GMS project being the key tempting factor that eased the way for Vietnam to integrate into the CLV, then into the Mekong project, then into ASEAN. The purpose of this chapter is to demonstrate the lengths that Japan has gone to in order to make this happen. The thesis of this chapter is that, as outlined in chapter five related to Vietnam's elite as the 'New Class', Japanese elites have been able to internationalise their state into Communist Vietnam and re-mould it into forms to suit Japan's 'strategic capitalism'. Vietnam is now situated where Thailand was during the 1980s. That is, as a country of one economic order to be shifted towards another.

The first section outlines Japan's modern historical relations with Vietnam. The reason for this is under-appreciated just how historically involved Japan has been in Vietnam's modern development and as will be demonstrated, many of Vietnam's key developments have in some way been quietly connected to Japan's relations with the country. The second section on Japan's material power then becomes easier to understand, as Japanese ODA has facilitated Japanese FDI, but only from a pre-existing and fairly well consolidated power position. Unlike the following two chapters on Cambodia and Laos, Japan's productive power is beginning to rank of equal importance to Japan's ODA power, and this is leading to not only a re-formulation of the state and supporting institutions, but also now the wholesale transformation of socio-economic life and Vietnam transitions towards its goal of becoming an industrial country by 2020. In the third section, Japan's institutional influence is accounted for. Less pervasive as in Cambodia but more so than in Laos, Japan's ability to join with other donors to push for greater reforms, in addition to presenting the productive potential of the GMS and creating Japan-centric institutions within Vietnam's corridors of economic power mean that Japan's hegemony goes beyond simple advocacy and into re-alignment. This re-alignment is not only institutional but also ideational, and in the final section, the multiple normative frameworks applied to Vietnam, buffered by Japan's material power, are detailed. This has, in general, meant the application of complex layers of integrating roadmaps of which the GMS has been a key one.

7.1 JAPAN-VIETNAM RELATIONS

Understanding Japan's historical role in Vietnam is fundamental to understanding the Vietnam we see today. In many ways it was the external Japanese intervention that in part intentionally and in part inadvertently gave birth to an independent Vietnam. Even the name 'Viet Nam' is in part a Japanese creation.⁴³⁶ It is possible to demarcate five periods of Japan-Vietnam relations - the 17th century characterised by international settlement and the growth of '*nihon-machi*'; post-Sakoku and modernisation from 1905 until 1940; the WWII period of empire building between 1940 and 1945 when Japan assumed colonial control; post-WWII's re-engaging 'return to Asia' that lasted until the US trade embargo (1964 for north Vietnam and later 1975 for the whole of Vietnam); and finally, from 1992 to the present day.

Vietnam's extended Eastern seaboard has given rise to a large number of ports and a surrounding trading town. A large one, and current UNESCO heritage site, was at the port and trading town of *Hoi An* (then *Faifo*) and was active for six hundred years beginning in the 15th century, driven largely by Japanese Red Seal Ship trade,⁴³⁷ in addition to traders from China. The 'Japanese Bridge' or *Chua Cau*, a covered bridge built around 1590 to allow through flow between the Japanese and Chinese settlements in the city, is still in use today and a powerful

⁴³⁶ The head of the Japan Cultural Centre, Consul Yokoyama Masayuki, helped with Emperor Bao Dai's declaration of independence by travelling to the imperial capital in Hue, acting as 'adviser' to the emperor, and organizing a 9-10 person advisory group. 'Vietnam' as a name was chosen, announced throughout Vietnam on Japanese radio infrastructure and social mobilisation conducted by a Japanese paramilitary group called the Yasutai. See: Nitz, Kiyoko. K. (1984) 'Independence without Nationalists? The Japanese and Vietnamese Nationalism during the Japanese Period, 1940-1945.' *Journal of Southeast Asian Studies*, Vol. 15, Issue. 01, pp108-133

⁴³⁷ Also most likely less officially sanctioned trade by *akuto* (bandits), *kaizoku* or *wakou* (pirates) and *kaizokushu* (buccaneers)

example of both Japanese engineering quality and the existence of historical co-operation between these East Asian powers. Another trading port where the Japanese were highly active was in *Cua Han* (later French name *Tourane* and currently *Da Nang*) and is the more strategic of the two for being equidistant between *Hoi An* and more importantly, closer to the then imperial capital of *Hue* to the ports north. In both locations, Japan quarters developed and in *Hoi An* a ‘nihon-machi’ (Japan town) a population of around one thousand grew, with inter-marrying between populations taking place. Trader Araki Shutaro even married into the nobility, with the partnering together with the daughter of Lord Nguyen Phuc Nguyen.⁴³⁸ However, these developing relations were cut off when Tokugawa Iemitsu issued the Sakoku Edict in 1635, and connections were not to be re-established until after the Meiji Restoration in the 19th century.

A divided country with multiple monarchies and powerful competing families in the north and south, upon Japan’s return during French colonial rule at the turn of the 20th century, a worldview divide opened up for Vietnamese elites. The first was represented by the mandarin, Nguyen Khuyen; a Confucian, a traditionalist, and an advocate of total withdrawal and passive resistance against the French and the West. The second was represented by Phan Boi Chau; a nationalist, a traditionalist (monarchist), and who believed in the need to gain outside military help against the French and build an Asian solidarity against the West in the pursuit of a royalist led revolution. The third was represented by Phan Chu Trinh; a nationalist but not a traditionalist, who was critical of French colonialism but admiring of French culture, he was equally critical of the old Confucian order and advocated collaboration with the French.⁴³⁹ For two of the figures, the outwardly looking Phan Chu Trinh and Phan Boi Chau, Japan became fundamental to the formulation of a new, third way for Vietnam. Phan Chu Trinh together with Prince Cuong De founded the ‘Modernisation Association’ (*Duy Tan Duy*), later compiled the ‘Ten Pleasant Conditions’, a 10-point program clearly influenced by his time in Japan,⁴⁴⁰ and the ‘Go East Movement’ that had within it a martial admiration for Japan.⁴⁴¹ The Go East Movement aimed at sending students to Japan to learn and gain military prowess, and by October 1907, there were over 100 Vietnamese international students.⁴⁴² In this same month however, Japan signed the Franco-Japanese Treaty of 1907, effectively undermining the Go East Movement and upon French request, began cutting ties and support to the royalist nationalists.⁴⁴³ Phan Chu Trinh on the other hand, who in 1906 also travelled to Japan, spending time at what is now Keio University and speaking with Keio Gijyuku’s founder Fukuzawa Yukichi, attempted to replicate Fukuzawa’s institution by creating the ‘Tonkin Free School’ (*Dong Kinh Nghia Thuc*), an attempt to modernise through liberal Western education rather than the royalist’s path of military and generalised training.

Japanese elites had been playing a double game with France in Vietnam. Nominally respectful of France’s fading authority, Japan had nevertheless: (1) protected Prince Cuong De in Japan, who had been retained as focal point for nationalist attention; (2) protected and educated Cuong De’s adopted son, Tran Hy Thanh, who had grown up in Japan, been educated at Waseda University, and then organised and headed the military wing of the Chau and Cuong’s Vietnam Restoration League; (3) the Japanese army had been supporting Tran’s military wing from China. Japanese efforts concentrated on building up power actual while leaving power

⁴³⁸ My-Van, Tran. (2005) *A Vietnamese Royal Exile in Japan: Prince Cuong De (1882-1951)*. London & New York: Routledge

⁴³⁹ My-Van Tran. (1999) ‘Japan Through Vietnamese Eyes (1905-1945)’. *Journal of Southeast Asian Studies*, Vol. 30, Issue 01, pp126-146

⁴⁴⁰ Echoing the example of the Choshu 5 or the Satsuma 14, in May 1905 Chau landed in Yokohama on behalf of his association to learn in Japan. Japan was developing a strong ability to cultivate relationships and directly train many of Asia’s nationalist anti-colonialists. Cuong De followed Chau to Japan in February 1906, and in his mid-20s the prince studied at Shinbu Gakko (a military training school in Tokyo’s Kanda district and later Waseda University).

The manifesto can be found in: Chau, Phan, B. (1907) ‘The New Vietnam’. In Truong, Buu, L. (2000) *Colonialism Experienced: Vietnamese Writings on Colonialism, 1900-1931*. Michigan: University of Michigan Press

⁴⁴¹ Chau, Phan, B. (1907) ‘The New Vietnam’. In Truong, Buu, L. (2000) *Colonialism Experienced: Vietnamese Writings on Colonialism, 1900-1931*. Michigan: University of Michigan Press

⁴⁴² Marr, David, G. (1980) *Vietnamese Anti-Colonialism 1885-1925*. Berkley and Los Angeles: University of California Press (2nd ed.)

⁴⁴³ Japan itself did not have a consolidated position on these issues however, and despite official sanction in support of their French allies, various pan-Asianists such as Inukai Tsuyoshi supported Cuong and Chau’s royalist faction, with unofficial support coming from Genyosha, a Japanese ‘Patriotic Society’ (paramilitary business group).

See: Joos, Joel. (2011) ‘The Genyōsha (1881) and Premodern Roots of Japanese Expansionism’. In Saaler, Sven. & Szpilman, Christopher. W. A. (eds.) *Pan-Asianism: A Documented History, Volume 1: 1850-1920*. Plymouth: Rowman & Littlefield

nominal to the French, at the same time as undermining its legitimacy in the eyes of the Vietnamese. When France surrendered to Germany in June 1940, Japan assumed a more actively dominating role and in March 1945, resolved the contradiction between explicit colonialist but implicit fifth column, launching a coup d'force with Operation Meigo and seizing full control of Vietnam.⁴⁴⁴ Two days later diplomat Yokoyama Masayuki coerced Vietnam's last Emperor, Bao Dai, to declare Vietnam independent, after which the Privy Council was dissolved and replaced, and the emperor placed under the control of Yokoyama – completing Vietnam's puppet state status. With Vietnamese faces on everything but Japanese 'advisors' behind, everything from the naming and organisation of regions, to the running of logistics and communications infrastructure, to the allocation of the 'right people' in political and bureaucratic positions was under Japanese control – Japan created an independent Vietnam. An independent Vietnam also did not only mean Vietnam, it really meant Indochina. The nationalists plan under Cuong De to create a new 'Council of Government', positioning a Vietnamese head of state as superior to Cambodia and Laos representatives who would be deputy heads, was a replication of the Japanese 'Federation of Vietnam' blueprint, whereby the monarchs of all three states would exist in a superficial federation, while the iron inside the velvet glove being Japanese power.⁴⁴⁵

On Japan's 'return to Asia', in keeping with US demands Japan normalised relations with only the Bao Dai government and the southern State of Vietnam (from 1955 to 1975, the Republic of Vietnam), and not with Ho Chi Minh's northern Democratic Republic of Vietnam (DRV). Japan's policy towards Vietnam had come to reflect three things: (1) to be focused on part of the country rather than whole country; (2) be heavily dependent on US designs towards Vietnam; and (3) attempt to re-engage using only economic power rather than military power. Agreeing to pay war reparations and tying it to Japanese products, this allowed the overseas expansion of Japanese industries and the creation of new markets. In Vietnam's case this meant, among other things, the expansion of that industry that singularly marks out contemporary Vietnamese life – the motorbike. In 1955, Japanese business quickly began institution building, establishing the 'Japan Vietnam Trade Association' (JVTA), formerly the 'Friday Club', but the creation of the more political Japan-Vietnam reparations agreement, signed in May 1959, was hobbled by disagreement and distrust.⁴⁴⁶ Reparations lasted from 1961-1964, aiding Japanese exporters, which was then given another boost from 1966 as increased US investment in southern Vietnam began in order to counter the threat from the north. This provided the capital to pay for among other things, Japanese imports. This structured Japan's economic relations with southern Vietnam for the entirety of the Vietnam War period (1966-1975). As can be seen from fig 7.11 & table 7.11, Japanese exports to South Vietnam consisted largely of textiles until 1965, after which there is a radical switch to machinery, demand being driven by the escalation of the war. Just as in the 'Korea War Boom' of the 1950s, Japan's economic power was benefitting from a proxy war economy.

After the 1969 Guam Doctrine declaration, Japan's ODA relations with Vietnam resumed but trade through the 'Japan-Vietnam Trade Association (JVTA) was minimal until the 1973 Paris Peace Accord. The fall of Saigon in 1975 and the US trade embargo left Japan in a difficult position – continue interacting with a now unified and Communist regime, or sever relations in order to maintain a healthy US-Japan alliance. Japanese political elites, driven by strong business pressure not to disengage, opted for the former while being ever sensitive to the consequences for the US alliance. This 'omni-directional policy' (*zenhoi gaikō*) is how many of

⁴⁴⁴ Nitz, Kiyoko. K. (1983) 'Japanese Military Policy towards French Indochina during the Second World War: The Road to the Meigo Sakusen (9 March 1945)'. *Journal of Southeast Asian Studies*, Vol. 14, Issue 02, pp328 - 350

⁴⁴⁵ *ibid.*, Bugravei (2007)

⁴⁴⁶ This centred on three main problems: (1) the size of the request from Vietnam (\$250 million, while the Japanese opening bid had been for only \$8 million); (2) the Japanese belief that the French should be responsible for most reparations, as they were the colonial power; and (3) the understanding by south Vietnam's ex-Japan protected leader, President Ngo Dinh Diem, that attempts to pay in small payments and special payments for the purchase of (Japanese) goods and services was a classic way to create a dependent Vietnamese market, and that instead Japan should pay for a small number of large projects, the first of which was a dam – Da Nhim

See: Gunn, Geoffrey. (2011) War Claims and Compensation: Franco-Vietnamese Contention over Japanese War Reparations and the Vietnam War. *The Asia-Pacific Journal*, Vol. 9, Issue 49, No 4. [Online] <http://www.japanfocus.org/-Geoffrey-Gunn/3658> (retrieved 02.11.2014)

those in Vietnam interviewed for this study, characterise current Vietnam's current foreign policy. Hirata Keiko argues that at this point from the 1970s, with the withdrawal of the US, it is possible to see a more proactive and hybridised, as opposed to reactive, Japanese foreign policy in relations to Vietnam and Indochina,⁴⁴⁷ and why by 1974 Japan had become Vietnam's second biggest trade partner behind their political partner the USSR.⁴⁴⁸ A flurry of international initiatives beginning with the Fukuda Doctrine (1977) demonstrate a willingness by Japanese political elites to build on this economic success and play a more active international role, beginning in Southeast Asia and focused very much on a transitioning Vietnam. However they had been idealistic, and a unified Vietnam's attack on Cambodia in December 1978 came as a surprise, leading Japanese elites to feel tricked, an outcome still referred to today by Japanese elites active in Vietnam.⁴⁴⁹ The desire to continue ODA despite US and ASEAN states pressure, could not be upheld in the face of aggression from the USSR in Afghanistan in December 1979, in addition to Vietnam having in the previous year moved away from communist China and sided with the USSR. ODA was put on hold, however Japan's economic footprint never completely left Vietnam, despite geo-political world order shifts.

With the death of China's Chairman Mao and the succession of Deng Xiaoping, a series of world order changes took place that laid the groundwork for Vietnam's *doi moi* (renovation) policy which began around the beginning of the 1980s, but being formally announced in 1986. This ideational shift would not have been as successful as it was, had the broader structures of the regional order not already been prepared to receive it. When *doi moi* was being planned it was Japanese companies that had remained in Vietnam that had given advice. When *doi moi* was announced in 1986 it was Japanese aid, investment and crucially technical cooperation that guided Vietnam through a difficult initial period. When Vietnamese elites desired to integrate into Southeast Asia, it was Fukuda Doctrine ready Japan that was willing to play the lead role. And when Thai Prime Minister Chatichai Choonhavan came to power in 1988 and expressed Japan's desire for a change in Indochina 'from a battlefield to a market place',⁴⁵⁰ it was Japan and the Mekong/GMS plans that aided the transition.

7.2 JAPAN, VIETNAM, AND HEGEMONY I: MATERIAL POWER

7.2.1 ODA

The first ODA arrived in Vietnam in the form of a technical cooperation in 1954 to work on a livestock project. US and other bilateral aid to Vietnam was halted in 1975 after the US defeat and resumed in 1992. Despite this world order consensus, this caused Japan's historical mode and its contradistinction to the pax Americana world order to be revealed (see chapter four). Keidanren had only reluctantly eventually acquiesced to engage in an embargo in 1978, three years after the US embargo in 1975, due to a strong desire to support their members who were prospering in Vietnam. Some were established enough to survive without the tether back to Tokyo, such as Honda, who had helped to establish the motorbike market in Vietnam, together with another ninety companies who wanted to remain. Continued pressure from the American government however resulted in the very public 1987 'Kasten Resolution', after which trade became too sensitive (meaning threatening Japanese automobile companies US market positions) and largely halted. Later, despite Vietnam's 1986 *doi moi* renovation and 1989

⁴⁴⁷ Hirata, Keiko. (2001) 'Cautious Proactivism and Reluctant Reactivism: Analysing Japan's Foreign Policy towards Indochina'. In Sato, Yoichiro. & Miyashita, Akitoshi. (eds.) *Japan's Foreign Policy in Asia and the Pacific: Domestic Interests, American Pressure, and Regional Integration*. New York: St. Martins Press.

⁴⁴⁸ The first political contact with north Vietnam was made as early as 1970 in the form of Japan's MOFA's First South East Asia Division visiting Hanoi to discuss rapprochement. Relations were normalised with the Japan-North Vietnam Agreement of 1973, done while north Vietnam was still engaged in a southern oriented civil war. This did not concern Japanese private companies, supported by the Japanese state machine. In March 1976 Keidanren and MITI began working with their Vietnamese counterparts to develop petroleum projects; in July 1976 JICA together with the Japanese company Zenno & Co. Ltd were developing maize production farms for export to Japan; in August 1976 Mitsui sent representatives to Vietnam to discuss business financing; and in October 1976 Shinwa Busan utilising a five billion yen grant from the Japanese state opened a concrete factory in Vietnam, the largest ever project established in newly unified Vietnam.

ibid., Shiraishi (1990)

⁴⁴⁹ Based on various interviews with senior Japanese political and business officials in Ho Chi Minh City and Hanoi, August and September, 2014

⁴⁵⁰ Inoguchi, Takashi. (2012) *Japan's International Relations*. London and New York: Bloomsbury Academic Collections

withdrawal from Cambodia (the original impetus that pushed Japan into engaging aid sanctions), Japanese sanctions were maintained until 1992. Within Japan this was a decision that was domestically divisive, as Keidanren representing Japanese business interests in Vietnam argued against their political opposites, resulting in a three-year delay.⁴⁵¹ Miyashita Akitoshi argues that US pressure was so strong because of the power of the veterans association in the US to pressure for resolution of the US missing in action (MIA) issue, in addition to the upcoming US election, rather than a reflection of inherent Japanese interests since the Ministry of Finance, the Ministry of Foreign Affairs and Keidanren were all in favour of an earlier re-engagement of ODA in Vietnam.⁴⁵² Whatever the reason, this episode highlights very clearly the different mode of outlook Japan has towards the *san mi ittai* triumvirate (ODA, FDI and trade) and how constraining the US world order can be on certain sectors of Japan's state-society complex.

With the resumption of ODA in 1992, Vietnam has become crucial to Japan's regional political ambitions, growing to become Japan's fourth most aided country in the world, and the top recipient of ODA in East Asia (overtaking China in 2007, Indonesia in 2006 and Philippines in 2004). For Vietnam, Japan has been the largest OECD DAC aid provider since aid resumed in 1992 (see fig 7.1) and comparing ODA provision to Vietnam with other Mekong states, Vietnam was the largest recipient from 1960-1978 when the US embargo went into effect and then, when the embargo was lifted, overtook Thailand (the largest recipient during the embargo period) in 1998 to again become the largest recipient of Japan's ODA (see fig 7.2).

7.2.1.1 Direct Influence

There are many ways that Japan can use its ODA as a positive or negative sanction with Vietnam. In positive terms, aside from the size of Japan's ODA acting an existential 'carrot' for Vietnam's elite, ODA from Japan is understood to be an entire package involving ODA, FDI and access to the Japanese state. It is a common assumption among Japan's Korean competitors in Vietnam that the reason Japan wants to build so many roads - a top priority for Japanese ODA - is so that Japanese companies can sell more motorbikes and eventually cars.⁴⁵³ This points to the common understanding held that with Japanese ODA comes Japanese private sector investment. Japan's ODA especially in Vietnam where markets exist is a business pump primer, a nudging incentiviser, or a sustainer of market positions. Therefore with Japanese ODA comes high quality Japanese companies. This can be ensured either with tying (as with grants) or 'un-official tying' (as with loans). While JICA in Vietnam as with all countries propounds to be 'request based', a senior figure in the Japanese business community in Vietnam detailed that what would usually occur is for the Vietnam government to create a menu of project options with the help of Japanese technical cooperation and in-country institutional representatives (JICA, JETRO, etc.), which Japanese companies in-country are usually fully aware of. The companies will register their interest in certain projects with the Japanese ministry in Tokyo that, when the request is officially made, will then match Japanese company with confirmed project. When observed that this means the Japanese state is simply a broker, the source exclaimed: "yes of course, but if I say that publically they will get angry!"⁴⁵⁴

Along with the size, and the multiplier package effect of aid from Japan, other positive sanctions include Japan's willingness to embed an inordinate degree of flexibility into aid contracts to Vietnam. JICA Vietnam tolerates long lead times on project decisions and project delivery schedules; is patient with re-payment schedules; a commitment to continuing ODA despite numerous corruption scandals; even create of special ODA instruments to make Japanese ODA more 'attractive'.⁴⁵⁵ Vietnamese elites have often complained about the fact that Japanese ODA arrives in yen, linking the debt burden with the Japanese economy.⁴⁵⁶ Referred

⁴⁵¹ Hirata, Keiko. (1998) 'Japan as a Reactive State?: Analysing the Case of Japan-Vietnam Relations.' *Japanese Studies*, Vol. 18, No. 2, pp135-152

⁴⁵² Miyashita, Akitoshi. (2003) *Limits to Power: Asymmetric Dependence and Japanese Foreign Aid Policy*. Oxford: Lexington Books

⁴⁵³ Discussions with senior Korean executives and NGO figures in Vietnam, August and September 2014.

⁴⁵⁴ Interview with interviewee 5

⁴⁵⁵ Interview with interviewee 6

⁴⁵⁶ Interview with interviewee 8

to as a 'product' that can be attached to ODA loans, and currently being experimented with in Vietnam, is a 'currency conversion option', whereby the repayment currency can be converted into dollars in order to avoid the currency risk of a long-term loan in a foreign currency.⁴⁵⁷ It is believed that this extra 'benefit' makes Japanese ODA more attractive, thereby incentivises Vietnamese elites to request more from Japan rather than the other bilateral options available.

Japan uses negative ODA sanctions sparingly in general, and especially so with regards to the need to cultivate a friendly country in Vietnam.⁴⁵⁸ However, despite pronouncements from JICA officials that there cannot be corruption in the Japanese aid system, history does little to bear this out. Scandals in 2006, 2008, and 2014 have all brought unwanted attention to a practice that is commonly understood to be widespread in Vietnam. In 2006, the PMU18 scandal was the first such case, whereby Vietnam's department of transport was embezzling Japanese aid.⁴⁵⁹ In 2008, it was discovered that a Tokyo based company had been paying bribes in 2003 to Vietnamese department of transport officials to secure an aid supported a highway project. Then in March 2014, Japan Transportation Consultants (JTC) was discovered to have been paying bribes to Vietnamese officials for Japanese aid projects.⁴⁶⁰ Given the state of corruption in Vietnam it is inconceivable that these practices are isolated. Moreover, given the supposed seriousness with which JICA takes these practices, it is strange that they did not ban JTC outright, and instead only imposed a relatively short ban on their ability to bid for contracts.⁴⁶¹ The laxity with which JICA treats these scandals is an indication of both their willingness to use negative sanctions, but also a weakness in application that can only be interpreted from the Vietnamese side as a positive sanction.

Mechanisms of incentive are one form of relational influence, but these flounder if there is no vision to be incentivised towards, i.e.: without the existence of an ideational framework. This is where the GMS becomes crucial. From the outset, Japan had Vietnam in frame in its integration plan with the GMS. Rather than fall foul of the inter-country competition to attract investment that had previously stumbled the Mekong economies from integrating with each other and ASEAN, Japan offered a vision for the future. Convincing Vietnam's elites not to attempt a 'race for growth', but instead to accept ODA that is geared towards connectivity (infrastructure), independence (energy) and complementary sectorial reform (economic policy), Japan has promoted in a Vietnam an ODA program that envisions Vietnam's future in relation to its Mekong and ASEAN neighbours rather than alone.⁴⁶² This was done through the application of ODA that alters underlying politico-economic structures within Vietnam or, indirect influence.

The hurdle towards Japan's integration plans will be China. Historically China has consistently attempted to thwart Vietnam's regional ambitions. China's siding with Western powers at the 1954 Geneva Conference to partition Vietnam; Vietnam's decision in 1978 to join with the USSR side of the Communist bloc by joining the CMEA and signing a treaty of friendship; China's collusion with the US in the 1970s during the Vietnam/American war, the 'punishment' exacted by China upon Vietnam's invasion of Cambodia in 1979; all demonstrate the suspicion felt by China about a powerful Vietnam. It is possible to discern two latent regional power patterns having developed that are still working through, and feature across, most Mekong states but especially acutely with Vietnam. The first structure is rooted in multilateralism, regionalism and new-regionalism (sub-regionalism) - the Japan preference. That is, a Vietnam united with its Mekong neighbours and ASEAN, forming a coherent conceptual entity that can interact with outside parties. The second model is based on bilateralism, core-periphery

⁴⁵⁷ For a full explanation see: JICA [Online] *Japanese ODA Loan with Currency Conversion Option*, January 2014. Available at http://www.jica.go.jp/activities/schemes/finance_co/about/ku57pq000010lk5c-att/kashiire_201401.pdf (accessed 20.10.2014)

⁴⁵⁸ Interview with interviewee 6

⁴⁵⁹ BBC News [Online] *Crisis dogs Vietnam congress*, April 18th 2006. Available at <http://news.bbc.co.uk/2/hi/asia-pacific/4917466.stm> (accessed 16.10.2014)

⁴⁶⁰ Thanh Nien News [Online] *Vietnam, Japan hold second meeting on ODA scandal*, June 25th 2014. Available at <http://www.thanhniennews.com/business/vietnam-japan-hold-second-meeting-on-oda-scandal-27669.html> (accessed 16.10.2014);

⁴⁶¹ JICA (2014) *Notice*, April 30th 2014. [Online] http://www.jica.go.jp/english/notice/140430_01.html (accessed 16.10.2014)

⁴⁶² GRIPS [Online] *The Ishikawa Project (Study on the Economic Development Policy for the Transition toward a Market-Oriented Economy in the Socialist Republic of Vietnam)*. Available at <http://www.grips.ac.jp/forum/module/vietnam/materials/1ishikawa.htm> (accessed 03.03.2015)

organised, and requiring of intra-regional division - China's preferred choice.⁴⁶³ These regional power dynamics are brought out when structures meet and clash. Potential oil reserves and large fishing stocks feature highly in China-Vietnam disputes, in addition to territorial disputes focusing on the Spratley Islands and the Paracel Islands; both of which Vietnam and China claim. In May 2014 a Chinese state owned oil company moved Oil Rig 981 close to the Paracel Islands to begin test drilling, prompting Vietnam to send in a fleet of ships that were met with non-lethal force from China. This opened up simmering anti-Chinese sentiment in the summer of 2014 as riots led to the burning and sacking of any businesses that appeared Chinese.

Given that Japan's hegemony is veiled behind 'ASEAN integration', Japan's direct involvement in these affairs appears less saliently detectable. During the summer 2014 protests Japanese business actors interviewed for this study recalled that they were targeted as well, but probably just due to their factories using kanji characters so they promptly switched over to English.⁴⁶⁴ Japanese diplomatic officials were however given personal guarantees of support during the episode by Vietnam's central and local state bodies.⁴⁶⁵ Where this regional tension touches down to a localised point that is more keenly felt by Japanese interests is at the border regions of Northern Vietnam and Southern China. Vietnam borders two Chinese regions, Yunnan and Guangxi, and China borders eight of Vietnam's northern provinces, however increased difficulties at border points along these areas is developing as China attempts to create micro-trade difficulties for Hanoi. This outcome that would see Vietnam's losses as disproportionately worse than China's.⁴⁶⁶ Japanese business actors commented frequently on this, as border tensions in the north are not just causing problems for Vietnamese traders, but Japan's also. It is possible to see developing a re-adjustment of investment and production patterns to cope with this, with Vietnam becoming part of Japan's 'China plus One' strategy.⁴⁶⁷ Japan's direct ODA influence is going to increasingly need to balance competitive impulses from China *in addition to* attempting to persuade Vietnam's elite's of their best world order pathway.

7.2.1.2 Indirect Influence

The unique position that had been garnered by the sustained existence of parts of Japan's private sector in Japan, which were used as an introductory starting point for state-to-state relations, facilitated Japan's overall hegemony in Vietnam and the altering of underlying structural features of Vietnam's politico-economy policy. From the moment aid was resumed in 1992, Japanese elites began developing a policy framework and a road map for Vietnam to follow. In 1994, a country assistance program was issued by the Japanese government, followed by the crucial 'Ishikawa Project'.⁴⁶⁸ A fine example of an organic intellectual, Ishikawa Shigeru of Hitotsubashi University was tasked with the formulation of a series of reforms to be implemented in conjunction with Vietnam's newly reformed Ministry of Planning and Investment (MPI). Covering a range of sectors, to be addressed in a series of phases, it is not an exaggeration to conclude that Ishikawa's framework has defined Vietnam's post-Cold War approach to its political-economy and attempted transition to a market economy. The Ishikawa Project led to Japanese intellectuals and political elites assisting to:⁴⁶⁹

- draft the process of Vietnam's 6th Five Year Plan (1996-2000) and giving guidance throughout
- plan and advise on Vietnam's ascension bid to the WTO and AFTA
- formulate the 7th Five Year Plan (2001-2005)
- formulate the Ten Year Strategy (2001-2010) (here is the first instance of the long term goal of being an industrial country by 2020)

⁴⁶³ Interview with interviewee 23

⁴⁶⁴ Interview with interviewee 10

⁴⁶⁵ DongNai [Online] *Japan pledges to continue investing in Vietnam*, June 18th 2014. Available at <http://baodongnai.com.vn/english/201406/japan-pledges-to-continue-investing-in-vietnam-2319695/> (accessed 08.08.2014)

⁴⁶⁶ Eyler, Brian. (2014) 'The Coming Downturn of China-Vietnam Trade Relations'. *East by Southeast*, 9th July 2014 [Online] <http://www.eastbysoutheast.com/fear-change-future-china-vietnam-trade-relations/> (accessed 20.08.2014)

⁴⁶⁷ Interview with interviewee 8

⁴⁶⁸ Also known as the JICA supported 'Study on the Economic Development Policy in the Transition toward a Market-Oriented Economy in the Socialist Republic of Vietnam'

⁴⁶⁹ GRIPS Development Forum (2002) *Japan's Development Cooperation in Vietnam: Supporting Broad-based Growth with Poverty Reduction*. [Online] http://www.grips.ac.jp/forum-e/pdf_e01/VN%20paper.pdf (accessed 08.08.2014)

- create the Comprehensive Poverty Reduction and Growth Strategy (CPRGS) that focused on poverty reduction (this emerged from the Japan assisted sixth and seventh Five Year Plans and the Ten Year Development Strategy)

It is possible to witness with the Ishikawa Project the operation of transnational elites, ideational construction and the virtual creation of a policy menu for Vietnam to follow from beginning to end. Key to socialist economic ideology is that growth and modernisation should be based on the self-sufficiency of the agricultural sector and not international trade. However with this help from Japan, Vietnam's elite departed from orthodox economic ideology and began developing through trade and the exporting of agricultural and fishery goods, rather than hoarding or industrializing from an 'iron rice bowl' economic approach that had failed Vietnam in the past.⁴⁷⁰

Added to the above policy frameworks or 'intellectual aid' came legal reforms from 1996, and what is referred to by JICA as developing 'judicial system support'. With the technical cooperation project 'Support to the Formulation of Key Government Policies in Legal System' Phase I (1996), Phase II (1999) and Phase 3 (2003-2007), Japan helped to create commercial codes, civil procedural codes, and reform of the Supreme Peoples Court and the Supreme People's Prosecutor. Conditional capital arrived in 1999 with the Miyazawa Initiative, that provided conditional loans in the service of three areas of reform: (1) promotion of the private sector, (2) auditing of SOEs, and (3) the conversion of non-tariff barriers into tariffs. Of particular note is the second goal, the attempt to apply international accounting standards to Vietnam's SOEs. Japan itself does not force its own companies to use (and many do not want to use) the International Financial Reporting Standards (IFRS) system. The attempt create a 'level playing field' is not only potentially damaging to those SOEs but also quite insincere. Finally in 2000 came the creation of the Vietnam-Japan Human Resource Cooperation Centre, and a JICA supported tie-in with Vietnam's Foreign Trade University, to train Vietnamese in business courses and trade disciplines. It is possible to see from this long term, multi-stage programme the desire by the Japanese state to gain the consent from Vietnam's elites to move them from one world order into another.

Turning from the past to the present since 2011 and the 'ASEAN-Japan Plan Of Action 2011-2015', in relation to Vietnam particularly, the Japanese state has begun to 'weaponise' its ODA and pull Vietnam into an emerging regional alliance building effort. This is in light of Vietnam's strategic utility in the face of a China threat and mutual Japan-Vietnam concerns. In January 2011, the 'Agreement between the Government of Japan and the Government of the Socialist Republic of Viet Nam for Cooperation in the Development and Peaceful Uses of Nuclear Energy' was signed, in November the 'Japan-Vietnam Joint Statement on the Strategic Partnership for Peace and Prosperity in Asia' was signed. In January 2013, Prime Minister Shinzo Abe visited Vietnam on a tour of the Mekong countries and as part of a Southeast Asia tour, offering ODA packages simultaneous to shoring up support for his 'Five New Principles of Japanese Diplomacy'. This is followed in July 2014 by the 'Japan-Vietnam International Law Dialogue' with a special focus on the law of sea. This acted as precursor to the announcement in August of the provision of grant aid for the purchase of six maritime security vessels.⁴⁷¹ With the announcement at the Shangri-La Dialogue in May 2014 of Prime Minister Abe's 'collective self-defence' concept, Vietnam along with other Southeast Asian state's involved in disputes with China are being incorporated into Japan's strategic vision for the region as potential future 'partners' in need of 'collective self-defence' from Japan.

⁴⁷⁰ Beresford, Melanie & Phong, Dang (2001) *Economic Transition in Vietnam: Trade and Aid in the Demise of a Centrally Planned Economy*. Cheltenham & Massachusetts: Edward Elgar Press

⁴⁷¹ Gunn, Geoffrey (2011) 'War Claims and Compensation: Franco-Vietnamese Contention over Japanese War Reparations and the Vietnam War.' *The Asia-Pacific Journal*, Vol. 9, Issue 49, No. 4. [Online] <http://www.japanfocus.org/-Geoffrey-Gunn/3658> (retrieved 02.11.2014)

7.2.2 Production

Since the end of the Vietnam-Cambodia war and the Cold War in 1991, Vietnam has grown to be become the fifth most attractive investment site in ASEAN for Japanese companies (behind Singapore, Malaysia, Thailand, and Indonesia). FDI rose slowly during the 1990s from \$400 million in 1991 to \$2 billion in 2000 (see fig 7.5).⁴⁷² A lack of confidence in reform measures in addition to a series of inflationary cycles meant that as a percentage of GDP, foreign investment has represented between 4 per cent and 12 per cent of GDP; an unstable situation for a regime intent on being open to foreign investment. However, from 2006 investors began flooding in, multiplying five times from \$2 billion in 2005 to \$10 billion in 2008. The character of this investment in Vietnam is telling. The top investing nations are largely all from Asia (see table 7.5).⁴⁷³ China ranks very low on the list, the two top investors are from Japan and South Korea. Japan has a longer history in Vietnam than South Korea, and so by total accumulated capital between 1988-2013 at \$35 billion, holds the largest share of foreign investment, but not by project, which at 3,611 goes to Korean investment (see table 7.7). Between 2005-2013 Korea ranked top by number of projects and Japan ranked top by amount of capital (see table 7.7 and table 7.8).

This heavy Korean investment began to face challenges from 2010, when a rapid increase in Japanese investment began both in terms of number of projects and in capital. This can be accounted for by the increased openness by Vietnam to investments in energy, brought about by increasing tensions with China. This 2010 openness actually began with a spike, a very large spike, in 2008 (see fig 7.6); representative of one huge project - Nghi Son oil refinery. Aside from this large scale project, an established pattern is for Japanese companies to invest in manufacturing by a factor of more than 3:1 compared with the next biggest invested sector – ‘services’, and unlike during the early investment phases when companies would be more likely to locate in Ho Chi Minh City, Japanese companies are now diversifying their investments, with more setting up in Hanoi and a significant number in the central Da Nang region (see table 7.6) and Japanese companies increasingly want to be seen to be present across all three metropolises.⁴⁷⁴

7.2.2.1 Direct Influence

Vietnam’s is a case study in how Japan’s ‘coalition’ of public-private interests work in tandem and allow the Japanese state to penetrate another state through Japanese corporations. Already outlined above was the reluctance of Japanese companies to abandon Vietnam’s during the 1970s after US protests, and the fact that some of them remained albeit with different names. The most significant case in point is Sojitz Corporation Vietnam, formerly Nissho Iwai. Nissho Iwai remained in Vietnam after 1978 despite the US embargo and Japan’s acquiescence, and acted as unofficial point of contact for the government of Japan due to the sensitivity for the Japanese state *vis a vis* the US.⁴⁷⁵ Demonstrative of the interplay between material power and institutional power, between 1987-1993 the Vietnam Economy-Science Technology Co-operation Exchange Committee was established which the CEO of Sojitz was then the chairman of. This had a connection with Keidanren and was a Vietnam based, Vietnam government-Nissho Iwai (formerly Sojitz) partnership. This changed from 1993 until 2000 to the more officially recognised, Keidanren Committee, ‘Japan-Vietnam Economy Committee’. In 1986 upon the lifting of the embargo, and having gained a uniquely trusted position with the Vietnamese elite, Nissho Iwai changed its name to Sojitz, became the first ‘Western’ company to establish a liaison office post-*doi moi*, and in 1987 was awarded Vietnam’s first private sector foreign energy project (the build-operate-transfer project, Phu My 3). From this trusted position, Sojitz Corporation became the key foreign company that the liberalizing 1980s Vietnamese state turned to for advice, and Sojitz provided this advice in liaison with the Japanese state;

⁴⁷² Figures are approximate due to differing statistics on FDI inflows between the United Nations and Vietnam’s General Statistics Office.

⁴⁷³ This is aside from the US at number seven, however this is largely due to capital rather than projects, and can be accounted for by the US large scale investment in energy rather than a larger scale presence within the country.

⁴⁷⁴ Interview with interviewee 6

⁴⁷⁵ Interview with interviewee 7

facilitating the subsequent entrance of the ODA funded Ishikawa Mission. Once relations were normalised, Sojitz Corporation returned to a traditionally business rather than political position, as international relations moved from unofficial to official government-government relations, however Sojitz, Honda and many other large Japanese companies who remained in Vietnam continued to maintain close relationships with many in the Communist Party.⁴⁷⁶ So much so that as early as 1991 and while the US embargo was still in effect, Mitsubishi Corporation presented to the government in Vietnam the ‘Masterplan for the Automobile Industry in the Socialist Republic of Vietnam’; a document Hatch and Yamamura argue was virtually a point by point blueprint for a Japan dominated car industry in Vietnam.⁴⁷⁷ These informal links between Japan state-Japan corporation-Vietnam state, are one strand of the social relations of hegemony at work.

Japanese companies in Vietnam are mixed as to their interpretations of the multi-layered production/trade frameworks being negotiated - the AEC and TPP - that production in Vietnam would be drawn into. Some regard the potential low tariffs across ASEAN as a boon that would enable them to establish production chains anywhere.⁴⁷⁸ Others are more sceptical concerning Vietnam since while Cambodia and Laos have grandfather clauses in their signing up to these arrangements, Vietnam does not, and would result in parity of competition with Thailand or Indonesia.⁴⁷⁹ A mechanism that Japan has arranged that allows Japanese corporations to negotiate the bumps between these arrangements is through the creation of an institutional meeting point - ‘The Committee’. In Article 20 of Japan’s 2003 investment treaty with Vietnam - and this is similarly found in the investment treaties with Cambodia and Laos - is the creation of a special group that includes political figures from both countries, in addition to private sector actors, that meets to discuss inclusions or exclusions from an extended appendix of sectors and goods. Other bilateral investment treaties do not have this feature and the appendix makes Japan’s investment treaty much longer than other countries.⁴⁸⁰ ‘The Committee’ essentially allows Japan’s private sector to gain access to Vietnam’s decision makers and to do so with diplomatic support to discuss which products or sectors should contain which features at certain times. Again, material power overlaps with institutional power, and allows Japanese companies to better navigate the processes of integration that the Japanese state is encouraging Vietnam to embrace.

7.2.2.2 Indirect Influence

One of the overriding and avowed objectives of Japanese policy towards Vietnam since the Ishikawa Project has been to encourage privatisation, meaning the need for legal frameworks to be altered. The first major piece of legislation was the Japan influenced 1987 ‘Law on Foreign Investment’ that created for the Vietnam state the necessary lexicon key concepts for investors - a ‘Build-Transfer-Operate’ contract (BOT); an Export Processing Zone (EPZ); an Export Processing Enterprise (EPE); an Industrial Zone; an Industrial Zone Enterprise. Interestingly this was promulgated five years before the next major piece of domestic legislation – the 1992 constitution. It has been amended five times,⁴⁸¹ and acts as a gatekeeping facility for the Vietnam state; gaining an EPE classification as a foreign producer grants access to tax benefits, SEZ and industrial parks, and legal status privileges not open to domestic producers. The next major change came with the Law of Enterprise (2000) that satisfied two major issues –

⁴⁷⁶ Interview with interviewee 7

This interviewee was present and witnessed first hand the active courting that took place between Japanese companies and the Vietnam government. Mr. Yamaguchi was fully aware of the political role being played by his and other Japanese corporations.

⁴⁷⁷ Hatch, Walter. and Yamamura, Kozo. (1996) *Asia in Japan’s Embrace: Building a Regional Production Alliance*. Cambridge: Cambridge University Press

⁴⁷⁸ Interview with interviewee 7

⁴⁷⁹ Interview with interviewee 32

⁴⁸⁰ MOFA (2003) *Agreement between Japan and the Socialist Republic Of Viet Nam for the Liberalisation, Promotion and Protection of Investment*. Available at <http://www.mofa.go.jp/region/asia-paci/vietnam/agree0311.pdf> (accessed 02.02.2015)

⁴⁸¹ 1990, 1992, 1996, 2000, and 2005 when it became simply ‘The Investment Law’. This last change was to satisfy calls from foreign parties that the Foreign Investment Law was discriminatory due to its separately drafted nature. For the purposes of creating a ‘level playing field’ the 2005 Investment Law was created to balance the international with the domestic.

efficiency and corruption.⁴⁸² This law was applicable only to domestic companies and not content with the ‘unfairness’, foreign investors including Japan convinced the Vietnamese government in 2005 to create the ‘Unified Business Law’, extending the same bureaucratic privileges to them. Further objectives for Vietnam - and Cambodia and Laos, have been to offer the possibility of 100 per cent foreign ownership, and the more difficult legal policy of ‘non-discrimination between foreign and local companies’. As part of its five and ten year development strategies (which Japanese elites have assisted in the construction of), and sanctioned by the 2005 ‘Law on Investment’, Vietnam began moving away from its preferred models of joint venture with foreign company as minority stakeholder, towards 100 per cent foreign ownership meaning foreign investor can own all of the capital investment and be a legally separate entity. In early 2014 it was announced that the 2005 law could be amended further, by changing the traditional way of limiting the power of foreign economic entities in a country - an equity cap - from 49 per cent to 60 per cent, allowing foreigner interests to assume majority ownership stakes in Vietnam.⁴⁸³

Lack of clarity over these rules prevails however, and proximity to information sources is a continuing source of influence. Projects must be given licenses, must conform to government development plans, and the process is often transacted case by case,⁴⁸⁴ meaning that a high degree of politico-economic coordination is necessary on the part of a foreign investor to ably operate in Vietnam. By working together and coordinating, Japan’s political and business elites in the form of JICA, JETRO, JBAV, and the Japanese diplomatic core; through such mechanisms as ‘The Committee’ or the array of other ‘working groups’ or ‘forums’ created to internationalise the Japanese state-society complex; Japan is able to operate within a legal framework and its assumptions that Japanese elites have played a large role in formulating. This is why the lingering north/south divide in Vietnam affects the patterning of Japanese investment. Since the political power centre is in Hanoi, large Japanese companies locate there, bringing their small supplier production chains with them; however Japanese SMEs that do not require political relations are locating in the southern Ho Chi Minh City and focusing on the local market.⁴⁸⁵

Another means by which Japan excels in integrating Vietnam’s production into the expectations of Japanese capitalism is through the creation and political management of special economic zones (SEZs), industrial parks (IPs) and the buffering support of business towers. In Vietnam’s sites of international production – SEZs and IPs - there is a hierarchy of preference. There are four levels of sites, presented here in order of preference to Japanese business elites: (1) Special Economic Zone, (2) Japan funded industrial parks, (3) Vietnam Prime Minister approved industrial parks, and (4) Ministry of Industry and Trade industrial parks.⁴⁸⁶ SEZs are foreigner orientated only and usually the result of high level diplomatic negotiation. The real interest results from examining the industrial parks. The premier parks are funded and built by Japanese capital and Japanese companies. They are better equipped and still maintain some political connections to the Japanese embassy. Next down from this are industrial parks sanctioned by Vietnam’s president or the Ministry of Industry and Trade (MoIT). President sanctioned industrial parks would maintain some political connections but the MoIT can make separate decisions to the president and independently authorise IPs. MoIT’s industrial sites are smaller, often have fewer facilities, and are often crowded due to local producers wanting to gain EPE (export processing enterprise) status to receive the tax advantages. This places them at the bottom of preferred sites to locate to, while SEZs or even Japan funded industrial parks are preferred because of the political connections that can assist in the case of, for example, a labour

⁴⁸² It allowed companies to register in one week instead of the six months as it had taken previously, but crucially also allowed companies to register without government approval, bypassing the incentive towards cronyism held by those officials with the correct rubber stamps.

⁴⁸³ Nikkei: Asian Review [Online] *Vietnam may let foreigners hold majority stakes: minister*, April 26th 2014. Available at <http://asia.nikkei.com/Politics-Economy/Economy/Vietnam-may-let-foreigners-hold-majority-stakes-minister> (accessed 10.08.2014)

⁴⁸⁴ US Department of State [Online] *Diplomacy in Action: Vietnam (2014)*. Available at <http://www.state.gov/documents/organisation/229305.pdf> (accesses 02.12.2014)

⁴⁸⁵ Interview with interviewee 4

⁴⁸⁶ Interview with interviewee 31

dispute or strikes.⁴⁸⁷ This preference for politically connected sites of production produces a clustering effect among Japan's producers in Vietnam.

This clustering effect among Japanese companies not only occurs in SEZs, but also even when no political connection is overtly evident. Japanese companies tend to coalesce in business towers. In Hanoi there is 'V-Tower', a Japan government and Vietnam government joint venture populated largely by Japanese firms, in addition to all of the accouterment needs - Japanese restaurants, amusements, travel planning. Also in Hanoi is 'Sun City Tower', containing JBIC, JAL, and Mitsui Sumitomo Insurance Group Vietnam. In Ho Chi Minh City this practice is even more developed, with an entire central district of the city being named 'Japan District'. In the centre of the area is 'Sun Wah Tower' in which exists most of Japan's major elite institutions - JETRO, Japan Business Association, Mizuho Bank, Mitsubishi, Mitsui, Marubeni and many more. These business towers are often either located proximally close to other Japan company populated towers, or are close to centres of political influence. They allow Japan's business elite to create a 'mini Japan' in Vietnam within which new information can be shared and deals arranged that would be extremely costly for single companies operating abroad to access. These social features of Japanese production - SEZs, IPs and Business Towers - allows Japan to better produce the external production links necessary to bring increased production to Vietnam while fending off competitors.

7.2.3 Energy

As a developing economy with the ambitious policy objective of becoming an industrial country by 2020, Vietnam's priority, like China's, is energy. This is a boon for Japan. While Japan is the largest importer of liquefied natural gas, the second biggest importer of coal (behind China), and the third highest consumer of oil (behind the US and China),⁴⁸⁸ Vietnam is a holder of significant energy reserves, for example it is the third largest holder of oil reserves in Asia (behind China and India) much of which are yet to be fully explored.⁴⁸⁹ With Japan's nuclear power stations inactive after 3.11, exacerbating the country's negative energy balance and creating a negative balance of payments for the first time in half a century, Vietnam looms larger in Japan's energy security. Currently benefitting from a 50 per cent drop in global oil prices since mid-2014, the impact of these domestic problems are being mitigated slightly, however this will not last and so to Vietnam is Japan turning in order to develop a new energy supply partner. This is crucial to develop now, because energy is in high demand in Vietnam and not in the healthiest of supply. In 1995 demand for electricity was 14,648 GW/h while in 2009 it has increased six-fold to 83,200 GH/h. Electricity generation in 2009 was by gas (43 per cent), hydro (32 per cent), coal (23 per cent), and oil (2 per cent).⁴⁹⁰ Currently a net exporter of energy (mostly oil and coal), by 2025, five years after Vietnam's 2020 industrialisation target, Vietnam is predicted to become a net importer across all energy generating sources. Net demand (commercial and non-commercial) will rise from 55.5 MTOE (million tonnes of oil equivalent) in 2007 to 10.6 MTOE in 2025, while net supply will fall from 24.5 MTOE to 18.6 MTOE (see table 7.9). However, Vietnam is gifted with all energy generating potentials - hydropower, coal, gas, and oil (see below, table J). Given that energy is of the six original priority areas of the ADB's GMS program, cultivation of Vietnam's energy potential, especially in oil, is a top priority.

⁴⁸⁷ Interview with interviewee 32

⁴⁸⁸ US Energy Information Administration [Online] *Japan: Overview*. Available at <http://www.eia.gov/countries/cab.cfm?fips=ja> (accessed 10.08.2014)

⁴⁸⁹ US Energy Information Administration [Online] *Vietnam: Overview*. Available at <http://www.eia.gov/countries/country-data.cfm?fips=vm> (accessed 10.08.2014)

⁴⁹⁰ APEC Energy Demand and Supply Outlook (2013) *Vietnam*. 5th edition, February 2013. Available at http://publications.apec.org/publication-detail.php?pub_id=1389 (accessed 04.03.2014)

Table. J GMS The Energy Potential of Vietnam

| | Overall GMS potential | Vietnam potential | Vietnam's % of GMS |
|-----------------------|-----------------------|-------------------|--------------------|
| Oil (million tonnes) | 819 | 626 | 76 |
| Gas (billion cu.m.) | 1,179 | 217 | 18 |
| Hydro (MW) | 229,031 | 35,103 | 15 |
| Coal (million tonnes) | 28,065 | 150 | 0.5 |

Source: ADB (2012)⁴⁹¹

7.2.3.1 Direct Influence

Direct influence, or the ability to control energy supply or generation, is a mixed picture in Vietnam but Japan is at the top of actors involved. The cultivation of an independent Vietnam that serves a strategic role is seen in Japan as a benchmark for measuring success in Japanese relations with the Socialist republic.⁴⁹² Key to independence is energy, and by providing Vietnam with energy independence options through the searching and cultivation of energy production using Japanese companies technological edge, Japan is helping to tease Vietnam away from a position where it may become dependent on its northern neighbour of China for its energy security. One such option is the development of refineries. While Vietnam is currently rich in energy reserves, prior to 2009 there were no refineries to turn crude oil into usable petroleum products, making Vietnam dependent on imports. In 2009, the Dung Quat Refinery went into operation, a product initially of a joint venture with Russia, which later collapsed, to then be continued by US companies. A second, the Nghi Son Refinery is planned, bringing together largely Japanese funding and a consortium of Japanese, Vietnamese and Kuwaiti interests (this is the reason for the large spike in FDI in 2008). It is a very large project, signed as a joint Japan-Vietnam project on April 7th, 2008, with the majority of the construction funding coming from JBIC with Japan's second largest petroleum company, Idemitsu Kosan Co. Ltd holding joint majority shares along with Kuwait Petroleum International, and the next largest shares held by Vietnamese SOE Petrovietnam, with Mitsui Chemicals also holding a small share. Producing gas, petrol, diesel, kerosene, jet fuel and plastics, the plant will increase Vietnam's self-supply of gasoline from 30 per cent to 70 per cent, substantially improving the country's energy security situation.⁴⁹³ Concordant with the industrialisation goal of 2020, there is still plenty of scope for Japanese cooperation to engage further with Vietnam on energy development.

Energy is also where Japan's regionalisation agenda also plays an important role, through the employment of hydropower that utilises the country crosscutting Mekong River, but more significantly through the buying of electricity generated from neighbouring countries such as Laos.⁴⁹⁴ The GMS project comprises a Mekong Delta Transmission Network Project with various country level manifestations.⁴⁹⁵ The GMS South-South/Coastal Economic Corridor also moves into focus here as gas discoveries offshore in southern Vietnam fit into regionalisation plans. A three company Japanese consortium made of Idemitsu Kosan, JX Nippon and Inpex recently discovered gas in the Nam Con Son Basin. This is part of Vietnam's Nam Con Son Gas project, headed by SOE PetroVietnam, and is connected via the Nam Con Son 2 (NCS2) gas pipeline system.⁴⁹⁶ It should be noted however that whereas in Laos the regional agenda is a

⁴⁹¹ Asian Development Bank (2012) *Greater Mekong Subregion Power Trade and Interconnection: 2 Decades of Cooperation*. Available at <http://www.adb.org/sites/default/files/publication/29982/gms-power-trade-interconnection.pdf> (accessed 10.03.2015)

⁴⁹² Yoshihide, Soeya. (1997) 'Vietnam in Japan's Regional Policy'. In Morley, James, W. & Nishihara, Masashi (eds.) *Vietnam Joins the World*. New York: M. E. Sharpe

⁴⁹³ Vietnamnet, *Japanese investors seek enough of \$5 billion for Nghi Son oil refinery*, 31/05/2013 [Online] <http://m.english.vietnamnet.vn/fms/business/76164/japanese-investors-seek-enough-of-5-billion-for-nghi-son-oil-refinery.html> (accessed 2/8/2014)

⁴⁹⁴ Middleton, Carl., Garcia, Jelson. & Foran, Tira (2009) 'Old and New Players in Hydropower in the Mekong Region: Agendas and Strategies'. In Molle, Francois., Foran, Tira. & Kakonen, Mira (eds.) *Contested Waterscapes in the Mekong Region: Hydropower, Livelihoods, and Governance*. Oxon & New York: Earthscan, Routledge

⁴⁹⁵ In Vietnam's case, the Power Transmission Investment Program (MFF) (project number 42039-033)

⁴⁹⁶ Sullivan, Robert. [Online] 'Gas finds offshore Vietnam may feed new pipeline'. *InterFax Global Energy*, August 21st 2014. Available at <http://interfaxenergy.com/gasdaily/article/12885/gas-finds-offshore-vietnam-may-feed-new-pipeline> (accessed 04.03.2015)

major part of approaching energy, in Vietnam Japan's approach is to establish energy projects that can power the major cities and therefore industrialisation. 87 per cent of electricity in Vietnam is consumed by industry and the ODA projects Japan funds are largely located proximally close to either HCMC or Hanoi.

7.2.3.2 Indirect Influence

The size of Japan in energy markets exerts indirect influence, and in relation to Vietnam this is done in two ways - first, through the ideational influence of convincing the regime in Vietnam of the need to switch from public to private sector energy provision; and second through the material power and technological capacity to bring projects to fulfilment.

On the first of these, the institutional composition of the energy sector in Vietnam is almost entirely state owned. For coal and its processing, in 2005 Vietnam National Coal Corp. (Vinacoal) merged with Vietnam National Minerals Corp. (VIMICO) that handled non-ferrous mineral mining and processing, to become Vinacomin (Vietnam National Coal-Mineral Industries Group). For oil and gas there are Petrolimex, Petrolimex Gas, Petrovietnam, PetroVietnam Finance Corporation, Vietnam Petroleum Institute, and Vietsovpetro. Finally, once the energy has been extracted there is the dominant EVN (Vietnam Electricity) that handles electricity storage and distribution, in addition to in the last decade, adding nuclear power to its profile. Japanese companies have existing large-scale cooperative projects with all of them (see appendix 7.2). In addition, the government mandates the prices of electricity, which is capped at around 7 cents per kw/h; the privatisation agenda wants this peg removed. The World Bank from the 1990s began creating a normative environment for reform of the energy sector, one recommendation of which was to introduce variable rates, privatise the energy SOEs and introduce *IPPs* (*independent power producers*).⁴⁹⁷ Japan has echoed this and corporate figures in Vietnam believe this to not only be a large growth sector for them in the future, but also that the Japanese state is interested in this because, fearing post-3.11 nuclear reactor shut downs and potential inflation, cultivating Japanese energy in Vietnam will help keep energy prices lower in Japan through an alternate import source.⁴⁹⁸

The reason why the state sector is still so important within Vietnam's economy and especially the energy SOEs, is that the Communist Party receives the majority of its funding from them. Just Vietsovpetro, a state owned joint venture oil company with Russia, contributes 15 per cent of the state's entire tax revenue.⁴⁹⁹ Referring to table 7.2, most of the state's funding is being drawn from sites outside of the general population's day to day awareness – SOEs (that employ the minority of the labour force), oil revenue (a sector dominated by foreign companies), and customs duties (largely internally oriented towards exporters/importers). Meaning that the Vietnamese population is not feeling the direct financial consequence of funding their state. In 2012 only 12.6 per cent of the state's revenue came from the non-state sector, and given how large and populated that sector is, the actual payments would be spread out very thin for each taxpaying individual, household and business. Referring to table 7.1, most of these funds are then used on social and economic expenditures (in 2012, 67.4 per cent) and development investment (in 2012, 21.5 per cent). Meaning that the Vietnamese state, referring to the Communist party, can appear to be the benefactor of the nation, handing out largesse and spurring economic growth, while not imposing the necessary tax element of the social contract onto the general populous. Thus, insulating the Communist party from popular criticism. What this demonstrates is the desire to operate a dual political-economy – a Party dominated core

⁴⁹⁷ World Bank (2012) *Addressing the electricity access gap*. Washington, DC: World Bank. [Online] <http://documents.worldbank.org/curated/en/2012/01/16320545/addressing-electricity-access-gap> (accessed 8/8/2014) In the report the Bank bemoans the fact that 'three consumer groups—residential consumers supplied directly by EVN, wholesale residential consumers, and irrigation customers—were paying significantly less than they should' but that 'industrial and commercial consumers were paying significantly more than they should.'

ibid, World Bank (2012)

⁴⁹⁸ Interview with Hyakokku Hiroto; Mitsubishi Corporation, General Manager Vietnam; Mitsubishi Corporation, Ho Cho Minh Vietnam Regional Office; August 6th 2014.

⁴⁹⁹ United Nations Development Program (2007) *Top 200: Industrial Strategies of Viet Nam's Largest Firms*. UNDP Vietnam: Hongn Duc Publishing House. Available online at http://www.vn.undp.org/content/dam/vietnam/docs/Publications/21860_7884_Top200_e.pdf (accessed 03.08.2014) P4

where taxes are raised without recourse to the people and access to mass level information is heavily regulated, and a periphery where revenue is raised from the ‘globalisation agenda’ by foreign actors desiring to find the next cheap labour or plentiful natural resource location.

On the second indirect influence - material and technological capacity - Japan looms large alongside Vietnam’s former world order patron, Russia. Vietnam’s limited available funds, slow pace of energy sector SOE reform, lack of rural connectivity, its Socialist inspired desire to peg the energy price, and lack of technical expertise in this highly technical area mean that foreign actors are highly sought after. In 2004, the government in Vietnam passed the ‘Electricity Law’,⁵⁰⁰ mandating that the government (through EVN) would be responsible for electricity transmission but that it was desirable for greater competition to enter the energy production market, with a particular focus on foreign investment and the creation of IPP’s (independent power producers). This was the first law to address the energy sector, and was amended again in 2012 to re-affirm the desire to more competition to the market. In July of 2011 Vietnam approved the ‘National Master Plan for Power Development for the 2011 - 2020 period with the vision to 2030’.⁵⁰¹ This is the policy framework that foreign actors are now working within. In addition, under the ‘Nuclear Power Development Plan up to 2030’, nuclear power has entered the considerations, with the government passing in 2009 proposals to cooperate with Russia’s government supported Atomstroyexport on the planned Ninh Thuan 1.⁵⁰² Despite their own troubles with Fukushima after 3.11, Japan’s nuclear sector has decided it is also able to export its products, and the thirteen company consortium of JINED (International Nuclear Energy Development of Japan Co. Ltd) plans to cooperate on the planed Ninh Thuan 2 project.⁵⁰³ Six more are potentially planned, and with Japan’s ailing nuclear industry in a state of political crisis, this developing interest in Vietnam is telling.

With Vietnam’s state sector institutions coming under increased pressure from the opposing norm of private sector participation in the energy sector. This automatically favours some foreign actors over others due to the high entry costs of prospective participants. Japanese energy investment tends to prefer the build, operate, transfer (BOT) model alongside a financing arrangement that will have a Japanese energy company assuming a minority equity share of a deal, while usually JBIC will provide the larger debt financing share. This model contains within it not only major corporate benefits but strategic benefits in relation to competitors since whereas another country’s company would have to raise funding on international markets that are inherently volatile, with the semi-governmental JBIC standing behind a deal the Japanese company has guaranteed state support in addition to the low cost of capital that can be obtained in Japan.

7.2.4 Communication

The goal of becoming a modern industrialised country by 2020, established with the 2011 approved Socio-Economic Development Strategy 2011–2020 (the genealogy of which was Japan influenced),⁵⁰⁴ set out three broad objectives: improving Socialist institutions, improving human resources and, pertinent for this section, constructing comprehensive infrastructure

⁵⁰⁰ An English version of the law can be found at EVN [Online]

http://english.hcmpe.com.vn/customer/upload/taive/28_2004_QH11.doc (accessed 8/8/2014)

⁵⁰¹ For a full copy of the plan see Vietnam Energy (2014) Policy Planning: National Master Plan for Power Development for the 2011 - 2020 [Online] <http://nangluongvietnam.vn/news/en/policy-planning/national-master-plan-for-power-development-for-the-2011-2020-period-with-the-vision-to-2030.html> (accessed 8.8.2014)

⁵⁰² Le, Doan. Phac. (2011) ‘Vietnam’s Nuclear Power Development Plan Challenges and Preparation Work for the First Nuclear Power Projects’. *INPRO Dialogue Forum on Nuclear Energy Innovations: Common User Considerations for Small and Medium-Sized Nuclear Power Reactors*. IAEA, Vienna, 10-14 October 2011. Available at

https://www.iaea.org/INPRO/3rd_Dialogue_Forum/20.LeDoanPhac-Vietnam.pdf (accessed 11.08.2014)

⁵⁰³ Friends of the Earth Japan has released a daunting list of nine concerns: (1) Non-disclosure of Public financed Research; (2) Planned construction site being adjacent to spawning grounds of Green Sea Turtle; (3) Issues over Construction and Operational Technology; (4) Bribery, Corruption and Lack of Governance; (5) Uncertainty in Tsunami Countermeasures; (6) High Population Densities and Uncertainty in Evacuation Plan; (7) Lack of Information Disclosure and Citizen Participation; (8) Uncertainty over Spent Fuel Disposal Method; (9) Opposition from Neighboring Countries

See: Friends of the Earth, Japan [Online] *Fact Sheet on Japan’s Nuclear Export to Vietnam*. Available at

<http://www.foejapan.org/en/news/111209.pdf> (accessed 15.08.2014)

⁵⁰⁴ JICA (2013) *Japanese ODA to Vietnam: Inclusive and Dynamic Development*. Available at

http://www.jica.go.jp/vietnam/english/office/others/c8h0vm000001siky-att/brochure_07_en.pdf (accessed 10.03.2015)

systems. Aligned with this, or rather that aligned with this, is the ADB's Country Partnership Strategy 2012-2015.⁵⁰⁵ Rather contortedly, the report notes the ADB's 'pro-poor economic growth objective' while only on the following page on its own portfolio performance in Vietnam, 'since 2007 increased ordinary capital resources [have been] committed to energy and transport'.⁵⁰⁶ This may be a 'pro-poor approach' in some models of development but it would not be counted as such in many others. Sure enough, since 1972, 43 per cent - the largest sectorial share - of Japan's total ODA loans to Vietnam have also been directed at transportation; a key GMS priority. By far the largest sectorial share, and over four tenths of that amount has been spent on roads, developing the ADB's conceptual 'corridors'. Following this framework, Japan (and to a lesser extent Korea) is sewing the sinews of connectivity into the Mekong region.

7.2.4.1 Direct Influence

Japan is able to directly provide access to communication through infrastructure investment in Vietnam. Vietnam is a three-point country of urbanisation. Supporting by historical trends and divisions, these are Ho Chi Minh City (south), Da Nang (centre) and Hanoi (north). Vietnam's sprawling coastline provides the country with great global nodding potential. Priorities that Japanese ODA supports are the upgrading of ports and airports. Thi Vai International Port in the southern town of Cai Mep, Da Nang port in central Vietnam, and Hai Phong port in the north have all either been priorities for Japanese ODA. Equally, Vietnam's southern and main international airport, Tan Son Nhat International was built using Japanese ODA in 2002 and, due to its likely hitting capacity in a few years and being surrounded by homes, current efforts are focusing on building a second airport outside of the city - Long Thanh Airport, in addition to expanding Hanoi's Noi Bai airport with a second terminal.

In addition to nodding Vietnam into international economic networks, these three ports are being intra-nationally connected. The improvement of national highway no. 5 (the first transport ODA project, beginning in 1994 and continuing ever since) to connect Hanoi with Hai Phong; the improvement of national highway no. 18 that connects Hanoi's Noi Bai airport with Cai Lan port; and the improvement of national highways no. 1 and no. 10 that travel south; coupled in all instances with the attendant necessities of bridges and tunnels, one of which - the Hai Van Tunnel Construction Project, will be the longest tunnel in Vietnam. In addition to this inter and intra connectivity, Japan is supporting urban connectivity with ODA funds directed towards urban light railway in Hanoi and a Metro system in HCMC. Talks are underway for a north-south bullet train between the two polar nodes - HCMC and Hanoi - with Taisei Corporation to lead the project, however issues are arising concerning land clearances and JICA's unwillingness to provide the necessary funds.⁵⁰⁷ The issue of land clearances is potentially one of the political flash points of crisis for the political regime of Vietnam. Reforms to the Land Law have been repeatedly done and never able to satisfy all domestic parties let alone the domestic parties *vis a vis* the foreign actors.⁵⁰⁸ Moreover, Vietnam's political system is far more de-centralised than China's communist system, and local politicians are able to block central government plans. In short, Japanese ODA is terraforming Vietnam but there will also be resistance from Vietnam's decentralised political structure.

7.2.4.2 Indirect Influence

Structurally, Japan together with the ADB's ability to map out a Mekong wide communications infrastructure network, provides for Japan a framework to apply Vietnam to. This focuses on two of the GMS economic corridors - the South-South/Coastal Corridor and the East-West Economic Corridor (appendix 7.3). Interestingly, north-south connectivity is less of a priority (the shinkansen plans may run along Vietnam's coastline and the GMS's Eastern Corridor) and

⁵⁰⁵ Asian Development Bank (2012) *Country Partnership Strategy: Vietnam 2012-2015*. Available at <http://www.adb.org/sites/default/files/institutional-document/33620/files/cps-vie-2012-2015-r.pdf> (accessed 10.03.2015)

⁵⁰⁶ *ibid.*, Asian Development Bank (2012)

⁵⁰⁷ Interview with interviewee 33

⁵⁰⁸ Brown, David. (2013) 'Vietnam's Land Law Reform: Is it Enough?' *Asia Sentinel*, February 6th 2013 [Online] <http://www.asiasentinel.com/society/vietnams-land-law-reform-is-it-enough/> (accessed 10.10.2014)

the Northern Corridor is not a priority for Japan at all. Vietnam has an existing railway network; a legacy of French colonialism and which later became a symbol of unification. Desires from Japan and the ADB now, are to extend the line and create a Mekong wide network that could be plugged into a wider 'Trans-Asian railway' (appendix 7.4). This will be an uphill task as most business and personal freight in Vietnam travels by road.

Roads in Vietnam are crucial to Japan's Mekong hegemony. The economic corridors of the GMS that are guiding so much physical infrastructure, largely all fund the most easterly end point somewhere along Vietnam's coastline. Just as this makes Myanmar so crucial on the Western side of the peninsula, Vietnam's willingness to engage in these corridors is important for Japan's plans towards crossing the Mekong.

Along the South-South Economic Corridor are plans to connect Vietnam's southern most tip Nam Can with roads that run up to Cambodia's port town of Sihoukville, up to Bangkok and then potentially across Thailand to connect with Dawei in Myanmar, where is located Japan's large industrial park. There are also plans to connect the southern capital of Ho Chi Minh City with Cambodia's capital of Phnom Penh via the border towns of Bavet/Moc Bai, in addition to the coastal port town of Quo Nahon with Cambodia's ancient capital of Siem Reap, after which they would intersect before entering Bangkok and again over into Myanmar's Dawei. As part of the East-West corridor, there are plans to connect the central city of Da Nang, a key textile producing area for Japanese companies, across Lao's less mountainous south, across central Thailand to connect with Myanmar's central town of Mawlamyaing. This accords with Japan's focus upon the mini growth triangle of the CLV-DTA which encompasses central Vietnam, southern Laos and northern Cambodia. As part of the north-south corridor there are plans to connect Hanoi northeast with China's Yunnan province city of Kunming, and northwest with China's Guangxi Zhuang province southern border towns ending in Nanming.

7.2.5 Trade

Japan's trading relations with Vietnam have a long and established history, and it is only due to US interventions that Japanese company's positions are not even more consolidated. Since Japan's return to Asia, trading relations began quickly with South Vietnam; dramatically rising in 1965 as the American War escalated and Japanese companies began supplying the US war effort, leading to machinery replacing textiles as the main sectors traded between Japan and Vietnam (see fig 7.11) Before relations were cut off in 1978, total exports for the period 1954-1974 of machinery were \$864 million, nearly double that of the next largest sector, textiles, at \$464 million (see table 7.11) - this was the second boom Japan had gained since the Korean War. However due to Vietnam's exclusion from the international trade regime, the country is a newcomer to the international trade regime, only beginning to transition from the beginning of the 1990s. Unlike other transitional Socialist/Communist states of the period, the speed with which Vietnam began trading demonstrates the significance of the support provided by global hegemony such as Japan.

In the year of the Paris Peace Accords that called an end to Vietnam's aggression in Cambodia, total trade stood at \$4.4 billion; one decade later trade had increased seven fold to \$31.2 billion (see fig 7.7). Volumes of trade continued to steadily increase, hardly affected by the 1997 Asian Financial Crisis but slightly affected by the 2008 financial crisis, which caused a loss of \$16 billion. The most recent figures have Vietnam trading at yearly volumes worth around \$200 billion, a long way from Cold War averages of \$2-3 billion. This high volume of trade is not matched by a surplus of the trade and the country has perpetually been in a trade deficit (see fig 7.8); draining foreign currencies, encouraging dependency and discouraging indigenous industries to develop or grow. Exports are strongly composed of heavy and light machinery, with a declining but significant share of agricultural and aquatic goods. Imports are also dominated by machinery in addition to fuel and raw materials (see fig 7.9 & fig 7.10). The number one export of recent years is 'electrical apparatus for line telephony or line telegraphy' with the number three import being the same. This is due to the enormous role of Samsung's 'Galaxy' mobile phone factory in Vietnam.

Vietnam's largest export partner from the beginning of *doi moi* was Japan, however after the US lifted its trade embargo in 1994 the US steadily became the destination for exports from Vietnam, superseding Japan in 2003 and leaving it in second place with thirteen of total exports for 1990-2013, with China in third place with 10 per cent (see table 7.11). The picture is very different when imports are examined, with China consistently dominating imports into Vietnam since 1990, with shares of imports up to 28 per cent in some years, leaving South Korea in second place at twelve of imports for the period 1990-2013 and Japan in third place at 10 per cent for the same period. The US is in seventh place at only 4 per cent of total imports for the post-Cold War period, behind many of the original ASEAN states, indicating Vietnam's assimilation into an East Asia centred production based trade system, with a consumption based trade regime oriented towards the US. Moving downwards to the sub-regional level, Singapore is the most important trading partner in exports and imports within ASEAN, while within North East Asia Japan is the most import export destination and China is the most important importer; South Korea balances between the two. These differences are telling. Vietnam is orientated towards the US for global level exports and Japan for regional exports but is being swamped by Chinese imports that are not then being balanced by exports. This asymmetry and Vietnam's reliance on Chinese imports is a route towards potential weakness for Japan's desire for Vietnam to integrate more with ASEAN than with China.

7.2.5.1 Direct Influence

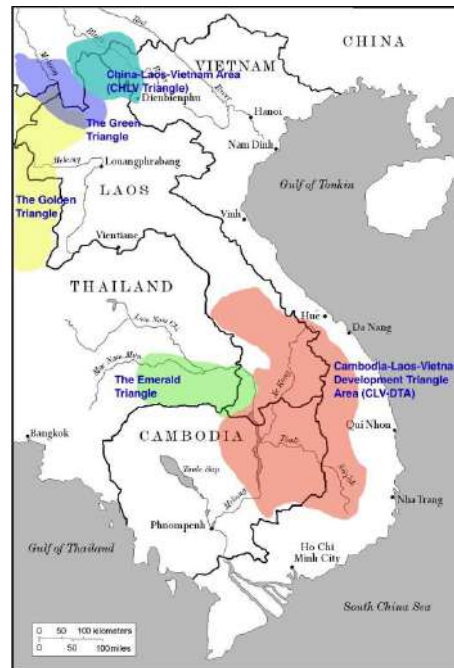
Unlike Cambodia and Laos that rely on trade connections with Japan to be routed through ASEAN, Vietnam is more akin to Thailand and has a separate bilateral Economic Partnership Agreement with Japan.⁵⁰⁹ The free trade arrangement (FTA) was negotiated quickly, in nine rounds between January 2007 until signing in December 2008. Departures from MFN conditions in the agreement (article 63) show a Japan that is concerned with independence in shipping, energy and fishing, while the Communist party is keen to protect its propaganda making ability and ring-fence 'audio-visual services'.⁵¹⁰

In addition to bilateral direct influence is Japan's ability to pull along Vietnam with its Communist neighbours Cambodia and Laos, as Vietnam is conceived within the micro-regional CLV or former Indochina grouping. Japan went to great efforts from 2004 to conceptualise Vietnam as part of a micro-Mekong growth triangle project and saw to extending special assistance to integrate Vietnam, Cambodia and Laos with each other and then into ASEAN. Later, Japan's Koizumi administration championed the notion of a 'CLV Development Triangle Area' (CLV-DTA) that would anchor the three latecomers to each other by developing sub-national trade and investment in a quadrant that conveniently rests along the East-West Economic Corridor that Japan's is more broadly prioritizing (see below, fig I).

⁵⁰⁹ MOFA [Online] *Agreement between Japan and the Socialist Republic of Viet Nam for an Economic Partnership*. Available at <http://www.mofa.go.jp/region/asia-paci/vietnam/epa0812/agreement.pdf> (accessed 15.03.2015)

⁵¹⁰ *ibid*, Annex 6. Available at <http://www.mofa.go.jp/region/asia-paci/vietnam/epa0812/annex6.pdf> (accessed 15.03.2015)

Fig.1 The Five GMS Trade Triangles



Source: author⁵¹¹

Direct influence over the way trade is conducted has also been achieved by Japan in a typically technological way. JETRO regularly surveys Japanese businesses overseas and in 2012 conducted a large-scale survey in the Mekong region.⁵¹² About Vietnam, JETRO found that the number one problem of trading from Vietnam is customs procedures, with the specific issue: ‘problems in e-customs systems shut down frequently, and ‘face-to-face’ procedures still remain (especially in Viet Nam)’.⁵¹³ The solution – remove the people and the need for ‘face to face’ procedures. The Vietnam government has agreed to give over control of its borders to a Japan funded and built machine – the NACCS (Nippon Automated Cargo and Port Consolidation System) or in Vietnam’s case the VNACCS. Going live on April 1st 2014, the system imposes a complicated automated system on any business wishing to import or export, and Vietnamese authorities say there is little room for error or grace period.⁵¹⁴ From border to warehouse, continued automation has moved forward even further, with Sojitz Corp’s attempts from 2013 to systematise and automate Vietnam’s agriculture and wholesale sector; reproducing the sort of linked up production-distribution-retail systems that exist in Japan. Bar code scanners, inventory accounting systems and GPS enabled tablet based ordering means the digitisation, and therefore acceleration in speed, of labour, but more significantly than that, it is the replication into Vietnam of the social and institutional forces underlying trade in Japan.⁵¹⁵

⁵¹¹ Based on information provided by:

- Ishida, Masami. (2013) ‘Development of Five Triangle Areas in the Greater Mekong Subregion’. In Ishida, Masami (ed.) *Five Triangle Areas in the Greater Mekong Subregion. Bangkok Research Center Research Report No. 11*. IDE-JETRO: Bangkok, Thailand. Available at http://www.ide.go.jp/English/Publish/Download/Brc/pdf/11_01.pdf (accessed 14.04.2015)

- Nolintha, Vanthana. (2013) Triangle Area Development: Prospects and Challenges for Lao PDR. In Ishida, Masami (ed.) *Five Triangle Areas in the Greater Mekong Subregion. Bangkok Research Center Research Report No. 11*. IDE-JETRO: Bangkok, Thailand. Available at http://www.ide.go.jp/English/Publish/Download/Brc/pdf/11_05.pdf (accessed 14.05.2015)

⁵¹² JETRO (2012) *Survey On ‘Business Needs And Strategies In The Mekong Sub-Region’ 2012*. JETRO, August 30th, 2012.

[Online] https://www.jetro.go.jp/jetro/topics/pdf/1208_topics2_survey_en.pdf (accessed 08.10.2014)

⁵¹³ *ibid.*, JETRO (2012)

⁵¹⁴ Baker and McKenzie (2014) *Vietnam Customs to Push Ahead with New e-Customs System*, March 18th 2014. [Online] http://f.datasrv.com/fr1/714/55100/Vietnam_Customs_to_Push_Ahead_with_New_e-Customs_System_on_1_April.pdf (accessed 02.11.2014)

⁵¹⁵ Uesaka, Yoshifumi. (2013) ‘Japanese trading house helping to revolutionise Vietnam’s wholesale sector’. *Nikkei Asian Review*, November 13th 2013. [Online] <http://asia.nikkei.com/Business/Companies/Japanese-trading-house-helping-to-revolutionize-Vietnams-wholesale-sector> (accessed 03.08.2014)

Further ‘recommendations’ continue to be expressed on customs tax arrangements, customs regulations and customs paperwork.⁵¹⁶

7.2.5.2 Indirect Influence

Japan’s indirect trade power exerts itself by weaving Vietnam into global, regional, sub-regional and sub-national trade orders, bringing Vietnam into conformity with a Japan preferred set of rules rather than another. The second phase of the Ishikawa Project (1996-1998) prescribed assistance for Vietnam to join the WTO, eventually achieved in 2007. At the regional level, the Ishikawa Project also championed Vietnam’s joining of ASEAN and the ASEAN Free Trade Area (AFTA) in 1995 and APEC in 1998. The challenge moving forward will be whether this structural level influence that Japan has skillfully weaved together material power, ideational power and institutional power together to extend, can sustain in the face of the challenge from China and a China-ASEAN FTA; the largest free trade area in the world. There are an array of developing trade regimes currently on offer for Vietnam (see below, table K), and Japanese diplomatic efforts are going to be called on to move them into a multilateral pattern as preferred by Japan, rather than a bilateral pattern as preferred by China.

⁵¹⁶ Vietnam Chamber of Commerce and Industry [Online] ‘Seeking Cooperation and Removing Obstacles for Japanese Businesses’. *VCCI News*, August 1st 2014. Available at http://vccinews.com/news_detail.asp?news_id=30861&parent_id=0&cate_id=1 (accessed 07.08.2014)

Table. K Vietnam's Multi-layered Potential Trade and Tariff Regimes

| | |
|--|---|
| Global ⁵¹⁷ <i>Status: established</i> | * WTO (2007 joined) - All goods (2013 applied): bound (11.5%), applied (9.5%) Agriculture: bound (19.1%), applied (16.2%) Non-agriculture: bound (10.4%), applied (8.3%) |
| Pan-Regional <i>Status: negotiating</i> | * Trans Pacific Partnership (TPP) (US backed) ⁵¹⁸ - 0% tariffs <i>OR</i> * Free-Trade Area of the Asia Pacific (FTAAP) (China backed) <i>OR</i> * Regional Comprehensive Economic Partnership (RCEP) ⁵¹⁹ - 0% tariffs |
| Regional (Southeast Asia) ⁵²⁰ <i>Status: in transition</i> | * ASEAN Free Trade Area (AFTA), Common Effective Preferential Tariff (CEPT) (1996, Vietnam introduced temporary exclusions that would be faded out by 2003 - 92% of tariffs reduced to 1-5% (eventually by 2003) * ASEAN Economic Community (AEC) (due 2015) - 0% tariffs (95% reduced to 0%, remaining by 2018) |
| Sub-regional <i>Status: in transition</i> | Greater Mekong Sub-region (GMS) and 'Economic Corridors' |
| Regional-Bilateral ⁵²¹ <i>Status: in transition</i> | * ASEAN-Japan Comprehensive Economic Partnership Agreement (in effect immediately, 2008) - Reduce 40% of tariffs to 5% by 2021; eliminate 90% by 2023 * Japan-Vietnam Economic Partnership Agreement (2009) - Vietnam exports to Japan = reduced to 2.8% by 2018 (86% of agricultural goods and 97% of industrial products); Japan exports to Vietnam = 7% by 2018 |

Source: author

7.2.6 Finance

Vietnam's main credit creation institutions are state owned enterprises. There are seven,⁵²² with the largest by assets being Agribank and largest by income being BIDV, in addition to four joint venture banks, thirty-five joint-stock commercial banks, forty-five foreign banks (of which Japan is represented by Acom Co., Ltd and Mitsubishi UFJ Lease & Finance Company Limited). Despite what appears to be a diverse range of capital institutions, the state still regards its SOE credit institutions to be the main pillar of growth and development.⁵²³ The Vietnamese state,

⁵¹⁷ WTO [Online] *Vietnam: Country Profile*. Available at

<http://stat.wto.org/CountryProfile/WSDBCountryPFView.aspx?Language=E&Country=VN> (accessed 16.03.2015)

⁵¹⁸ ASEAN plus Pacific Rim (ASEAN plus US, Singapore, Brunei, Malaysia, Vietnam, Japan, Peru, Canada, Mexico, Chile, Australia, New Zealand and Taiwan)

⁵¹⁹ ASEAN plus Six ASEAN-Bilateral FTAs collectively (India, Australia, New Zealand, China, Japan, South Korea)

⁵²⁰ ASEAN [Online] *Vietnam in ASEAN: Toward Cooperation for Mutual Benefits*. Available at

<http://www.asean.org/communities/asean-economic-community/item/vietnam-in-asean-toward-cooperation-for-mutual-benefits>

(accessed 15.03.2015); Chia, Siow, Y. (2013) 'The ASEAN Economic Community: Progress, Challenges, and Prospects'. *Asian Development Bank Institute*, No. 440. Available at

<https://openaccess.adb.org/bitstream/handle/11540/1202/2013.10.25.wp440.asean.economic.community.progress.challenges.pdf?sequence=1> (accessed 16.03.2015), p16

⁵²¹ MOFA [Online] *Agreement on Comprehensive Economic Partnership among Japan and Member States of the Association of Southeast Asian Nations, Annex 1: Schedules for the Elimination on Reduction of Customs Duties, Section 1: Notes for Schedule of the Kingdom of Cambodia*. Available at <http://www.mofa.go.jp/policy/economy/fta/asean/part3.pdf> (accessed 16.03.2015); MOFA [Online] Japan-Viet Nam Economic Partnership Agreement. Available at <http://www.mofa.go.jp/policy/economy/fta/vietnam.html> (accessed 16.03.2015)

⁵²² Vietnam Bank for Agriculture and Rural Development (Agribank); Joint Stock Commercial Bank for Investment and Development of Vietnam (BIDV); Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank); Vietnam Bank for Industry and Trade (Vietinbank); Housing Bank of Mekong Delta (MHB); The Vietnam Development Bank; Vietnam Bank for Social Policies (VBSP)

⁵²³ Sakata, Shozo. (2013) 'Introduction'. In Sakata, Shozo. (ed.) *Vietnam's Economic Entities in Transition*. London: Palgrave Macmillan (IDE: JETRO)

despite signing up to a WTO liberalizing schedule, does not appear to wish to give over ultimate control of capital. The latest 2010 Law on Credit Institutions of Vietnam (No. 47/2010/QH12) in article 9 clause 3 states: “The Government shall specify acts of unfair competition in banking operations and forms of handling these acts”.⁵²⁴ In addition, credit institutions remain under the control of a licensing system (article 20), ultimately government by the State Bank. The bureaucracy and uncertainty of this arrangement is a concern for foreign capitalists, in addition to another key limitation – a shareholder is prohibited from holding more than 20 per cent of capital (article 55, clause 3). Vietnam’s central bankers have aligned with a monetary policy commonly utilised in East Asian economies – the manipulation of the national currency. In 2010 and 2011 the government devalued the dong three times each year to contain the economy’s largest structural problem – inflation, and repeated the measure once in June 2013 and once in June 2014. Moreover, concern still exists about Vietnam’s until recently dollarised economy and its link to inflation.⁵²⁵

7.2.6.1 Direct Influence

Initiating a relationship of financial dependence with Vietnam has not been difficult for Japan. The first ODA loan arrived in 1972 to fund the ‘Can Tho Thermal Power Station and Subtransmission System Project’, quickly growing year by year (see fig 7.3). Loans are the controversial part of an ODA package because of their size and their disciplining nature rooted in the practices of ‘tying’ in addition to the fluctuating differences between commitments vs. disbursements. The Japanese aid escalator strongly pushes for recipient states to seek more and more ODA loans as they allow greater scope for interaction and control. This makes Vietnam a crucial partner because, as a middle income country and designated ‘partner’, Japan is permitted to loan at higher volumes to Vietnam than it can for example to Cambodia and Laos which are Least Industrialised Countries (LDCs). Since 1972 Vietnam has taken on 182 ODA loans from Japan, totalling 2.2 trillion yen, that are overwhelmingly in the infrastructure and energy sectors: transportation (43 per cent), energy (21 per cent), and social services (15 per cent) (see fig 7.4).⁵²⁶

Observing the levels of public and publically guaranteed debt held in foreign currencies, which in Vietnam has overall been rapidly increasing since the 1990s. Referring to fig 7.12 we see a rapid drawing down of ‘other currencies’ (referring largely to Russian rubles) and a steady increase in dollar and yen denominated debt. The yen represents the second largest currency in Vietnam’s debt mix, increasing from 5 per cent in 1990 to 25 per cent in 2000 to thirty-eight in 2008, after which it dropped to its 25 per cent average. Important to note in the spike of 2008 is that borrowing in the dollar dropped by a comparable amount, meaning that at the time of the global financial crisis one of two things happened: (1) credit from the US was restricted while credit from Japan loosened or, (2) Vietnamese elites especially turned to Japan for credit in a time of crisis. It is not within the scope of this section to enter into a day by day sequencing of the events surrounding that time, but this demonstrates the relational influence that Japan can play when Vietnam’s other relations alter. Given the fact that one of Vietnam’s major structural problems is inflation, and at the time of the most recent financial crisis it jumped from 7 per cent in 2007 to a record 28 per cent in 2008, the potential political problems caused by such an effect were being mitigated by easy borrowing from Japan.

7.2.6.2 Indirect Influence

In structural terms, it has already been noted that Japan has been politically pivotal in helping to integrate Vietnam into global capitalism and thereby global credit lines. Almost immediately upon the conclusion of the Cold War and Vietnamese aggression in Cambodia, Japan and France proposed Vietnam for membership of the IMF in 1993. Since membership of the IMF

⁵²⁴ The law can be found at microfinance.vn, here: <http://www.microfinance.vn/wp-content/uploads/2013/01/LCI-No.47.2010.QH12.pdf> (accessed 10.12.2014)

⁵²⁵ Goujon, Michael. (2006) ‘Fighting Inflation in a Dollarised Economy: The Case of Vietnam’. *Journal of Comparative Economics*, Vol. 34, Issue 3, pp564–581

⁵²⁶ Note: The only reason for ‘social services’ being so high is that a sub-sector category is ‘water supply, sewerage and sanitation’, ie: more infrastructure and not education or health as the sector name might imply (see table 7.4).

represents a double advantage due to the IMF's gatekeeper role with other global institutions, this was a crucial first step. At the regional level Japanese political elites were keen for the Asian Development Bank to begin operations in Vietnam, which they did, also in 1993.

Japan's weight in the system is enough not only to help shepherd a country into the system but also enough to help when the system crashes. The 1998 New Miyazawa Initiative (NMI), a financial lifeline for the five countries deemed worst affected by the Asian Financial Crisis (Malaysia, Indonesia, Philippines, Thailand and Korea, was strangely also extended to Vietnam.⁵²⁷ Strangely because as mentioned above, Vietnam was not significantly affected by the 1997 crisis, as the country's integration was less than complete. Trade was hardly affected and related inflationary issues were pre-existing. Nevertheless, the crisis was used as justification for the NMI, which was then extended to Vietnam to become Japan's first structural adjustment loan.⁵²⁸ The reason for this, and the extension of funds to Vietnam was strategic - Japan was attempting to establish a financial leadership role by building a regional bond market. Necessary to have the core ASEAN members plus Vietnam involved, the second phase of the NMI in May 1999 entailed the creation of domestic currency corporate bonds, which in turn would be the necessary step to creating a regional bond market.⁵²⁹

An important and still developing influence is the mobilisation of private Japanese capital, to assist private Japanese companies, in Vietnam. A major current international policy agenda for the Japanese state is to encourage more SMEs to venture outside of Japan, and Vietnam's reputation as East Asia's latest 'dragon economy' should be luring them. However, the aforementioned problems with inflation and a centralised economy, in addition to limitations on foreign share ownership make SME's investing hazardous. A recently developing trend is for Japanese banks to be bullish and buy stakes in Vietnamese banks with the goal of then lending to Japanese companies in Vietnam.⁵³⁰ It is hoped that by acting as the lead *keiretsu* convoy ship, private sector banking can offer cover to Japanese companies wishing to enter Vietnam. Vietnam's ExIm Bank sold 15 per cent of its shares to Sumitomo Mitsui Financial Group in May 2008; the Vietnam Bank for Agriculture and Rural Development (Agribank) signed a memorandum of understanding (MoU) with Sumitomo Life Insurance in October 2009, and with JCB in August 2010 to develop a credit card business; Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank) sold a 15 per cent share of itself to Mizuho Financial Group in September 2011; Vietnam Bank for Industry and Trade (Vietinbank) sold 20 per cent of its shares to Mitsubishi UFJ Financial Group in December 2012; and Joint Stock Commercial Bank for Investment and Development of Vietnam (BIDV) signed a MoU with Minato Bank together with the Bank of Yokohama in October 2014. With a tolerance for minority shares over the longer term, Japanese banks can help Japanese companies build up positions and develop market shares, developing the domestically well-known *keiretsu* structure internationally. Given the nature of the particular kind of development triangle the GMS represents - government led that involves public and private investment - these developing trends from Japan's private banking sector are a key indicator of Japan's sustained financial hegemony in the face of strongly embedded desires for state control over finance in Vietnam.

7.3 JAPAN, VIETNAM, AND HEGEMONY II: INSTITUTIONAL POWER

7.3.1 Exogenous and Endogenous Institutional Influence

It is worth noting that Vietnam has never been completely disconnected from international institutions, despite its fractured and fractious history. Joining the World Bank and IMF in 1956,

⁵²⁷ MOFA [Online] *Ministry of Foreign Affairs Press Briefing: Summary of meetings held by Prime Minister Keizo Obuchi at the Association of Southeast Asian Nations Summit* (17 December 1998). Available at <http://www.mofa.go.jp/region/asia-paci/asean/pmv9812/briefing.html> (accessed 15.04.2015)

⁵²⁸ Ohno, Izumi. (2010) 'Japan's ODA to Vietnam and new Growth Support to Africa: Projecting the East Asian Development Vision into the Global Aid Debate'. In Leheny, David & Warren, Kay (eds.) *Japanese Aid and the Construction of Global Development: Inescapable Solutions*. Oxon & New York: Routledge: Contemporary Japan Series

⁵²⁹ Das-Gupta, Dilip. K. (2005) *Asian Economy and Finance: A Post-Crisis Perspective*. Ontario: Springer Science and Media Inc

⁵³⁰ Koons, Cynthia. & Steger, Isabella. (2013) 'Banking in Vietnam Loses Appeal'. *Wall Street Journal*, February 13th 2013. [Online] <http://blogs.wsj.com/deals/2013/02/13/banking-in-vietnam-grows-less-appealing/> (accessed 10.12.2014)

helping to found the Asian Development Bank in 1966, and upon re-unification becoming a member of the United Nations, Vietnamese elites have hardly been as insular as their fellow Communist ideologues in North Korea, never formerly departing those institutions.⁵³¹ However, the Indochina Wars did precipitate a pause in operations and international re-engagement essentially begins post-1986. Vietnam's foreign policy is usually characterised as 'omni-directional'; similar to Japan's own *zenhoi gaikō* or omni-directional diplomatic policy. In 1988, Resolution 13 defined the new approach of moving away from reliance on the USSR and to "diversify and multi-lateralise economic relations with all countries and economic organisations... and become the friend of all countries in the world community".⁵³² Since then, bilaterally, Vietnam normalised relations with China in 1991, Japan in 1992 and the US in 1995. Regional re-engagement begins in 1993 when the ADB re-launches operations, followed by Vietnam signalling the desire to join ASEAN and the AFTA in 1994, in the same year being a founding member of the ARF and joining APEC in 1997. Multi-lateral connections begin with the signing of the majority of UN conventions, the highly significant joining of the WTO in 2007, and being rewarded with election to the UN Security Council in 2007 and rather more dubiously, to the UN Human Rights Council in 2013.

This pressure towards integrating into the architecture of the global political-economy requires not only a great deal of endogenous re-orientation but also the expansion and re-configuration of existing domestic intuitions in order to handle the extra workload and synchronise domestic-international institutional frameworks. As can be seen from the timeline of Vietnam's bureaucratic development in appendix 7.1, in 1945 Vietnam developed a standard set of institutions to handle its domestic agendas that largely remained unchanged until *doi moi*. After which a number of key institutions were added to the profile including the powerful Ministry of Planning and Investment (MPI) in 1995 (which acts almost as sole gateway through which international economic power flows into the republic) - in addition to the important subsidiary agent of the MPI, the Foreign Investment Agency; the Ministry of Natural Resources and Environment (which is handling the many parties interested in Vietnam's natural wealth) in 2002; and a recent development, the Vietnam Fisheries Resources Surveillance agency which appears to have been created with a remit less focused on fish than on repulsing Chinese incursions into Vietnam's marine space. Other notable non-ministry level additions to the institutional furniture are all the ingredients needed to replicate the current global order's needs - an Export-Import (EXIM) bank to handle loans, guarantees and insurance for the creation of export ready goods and general export-import businesses (created in 1989); a Vietnam Trade Promotion Agency (VietTrade) to stimulate foreign trade with Vietnam but also advise Vietnamese traders on export opportunities (created in 2000); and a Vietnam Development Bank that handles investment credit, export credit, and ODA management in the pursuit of the state's development investment and export credit policies (created in 2006). These three can be considered as roughly, but not exactly, equivalent to Japan's JBIC, JETRO and JICA respectively and can find equivalents in the other CLV state structures indicating almost a mirroring of the Japanese state's politico-economic infrastructure.

These institutions are ostensibly open to all investors and not only Japanese. One new institution that is meant only for Japanese is the creation of a 'Japan desk' at the Investment Promotion Centre, a sub-branch of the powerful MPI. This special institutional access was created in April 2014 in Hanoi, and another in South Vietnam in September 2014. Quick to follow suit was Korea, with the creation of a Korea desk in November 2014, although this has yet to spawn a second version. These institutional creations allow Japanese (and Korean) companies direct access to political decision-making processes.

⁵³¹ Due to Vietnam's division and re-union, the history of the country's international commitments can be quite confusing. For a comprehensive account of Vietnam's various international institutional commitments see: Buhler, Konrad (2001) *State Succession and Membership in International Organisations: Legal Theories Versus Political Pragmatism*. The Hague, the Netherlands: Kluwer Law International (p68-93)

⁵³² Manyin, Mark. (2014) 'Vietnam Among the Powers: Struggle & Cooperation'. *The ASAN Forum* (Special Forum), October 17th 2014. Available at <http://www.theasanforum.org/vietnam-among-the-powers-struggle-cooperation/> (accessed 02.12.2014)

7.3.2 Formal and Informal Institutional Influence

However joining the Bretton Woods world order was never going to be a panacea as the form of state the Communist party had cemented in Vietnam exists at odds with the liberal world order. As foreign investment began to fall after 1997 due to lack of structural reforms and issues with inflation, formal institutional pressure began to be applied. In June 1997, U.S. Secretary of State Madeleine Albright visited Vietnam for the first time and stated that Vietnam needed a “doi moi 2”.⁵³³ In November of 1997, the World Bank gave recommendations for Vietnam to “to embark on a greatly deepened economic reform program and speed up progress on its long and difficult transition to a successful market economy”.⁵³⁴ In December 1997 at the fifth meeting of the international donor community held in Tokyo, Japan endorsed the World Bank message that: “Donors and the [Vietnam] Government felt that the beneficial effects of the first phase of economic reforms have begun to run out and that a reinvigorated agenda of reforms now needs to be implemented urgently”.⁵³⁵ In 2003, the pressure to further reform kept coming from Japan, with the ‘Vietnam-Japan Joint Initiative to Improve Business Environment with a view to strengthen Vietnam’s Competitiveness’ report published, essentially focused on measures to attract foreign investment and representing the outlook of all organs of the Japanese political-economy establishment from Keidanren to ambassadors to ministry officials. The report offers four categories of suggestions: (1) Reconsideration of regulations related to investment; (2) Capacity building of implementing authorities (i.e. customs offices, tax offices, courts, IP related authorities and statistics related organisations); (3) Improvement of investment related institutions (i.e. judiciary and legal system, metrology and industrial standardisation system); (4) Improvement of economic infrastructure (i.e. issues of urban transport and functions, transport and distribution efficiency, the power sector, improvement of international telecommunications, issues of waste water and industrial solid waste, active use of JBIC’s international finance).⁵³⁶ Even as late as 2012 and while the contemporary world order is still struggling with the fallout of the 2008 financial crisis, the World Bank is still primarily concerned with greater privatisation and de-regulation in Vietnam.⁵³⁷

Informally, Japan’s politico-economic complex possesses multiple avenues along which to extend informal influence. From the establishment of ‘The Committee’, to the Japan Vietnam Trade Association (JVTA) (formerly the 1955 ‘Friday Club’), to the standard business lobbying performed by the Japan Business Association of Vietnam (JBAV), there are multiple channels of informal influence open. Japan’s skilful use of these channels is possibly why non-Japanese interviewed for this study expressed frustration at how Japanese companies were so successful at winning Vietnam government contracts, and how Japanese ODA is involved in the winning of those contracts.⁵³⁸ Politically, aside from the informal influence that flows along formal channels such as ASEAN, ASEAN sub-group, Mekong River commission and the many other layers of contact that Japanese and Vietnamese officials have together; a major informal channel of influence is Japanese technical advisers and officials working *within* Vietnam’s ministries.

⁵³³ See: Albright, Madeleine. K. (1997) Press Conference, Daewoo Hotel Hanoi, Vietnam, June 27th 1997. *United States Department of State Archive* [Online] <http://www.state.gov/1997-2001-NOPDFS/statements/970627.html> (accessed 25.10.2014)

⁵³⁴ Quoted in Abuza Zachary (2002) ‘The Politics of Reform in Vietnam, 1986-2000’. In Largo, V. (ed.) *Vietnam: Current Issues and Historical Background*. New York: Nova Science Publishers, p. 5.

⁵³⁵ See: World Bank (1997) *Donors Pledge Strong Support for Vietnam, But Urge Action on Deeper Reforms*, December 12th 1997. Press Release No:98/1577. [Online] <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:20016299~menuPK:34466~pagePK:34370~piPK:34424~theSitePK:4607,00.html> (accessed 25.11.2014)

⁵³⁶ See: Ministry of Foreign Affairs [Online] *Vietnam-Japan Joint Initiative to Improve Business Environment with a view to strengthen Vietnam’s Competitiveness*, December 4th 2003. Available at <http://www.mofa.go.jp/region/asia-paci/vietnam/report0312.pdf> (accessed 26.11.2014)

⁵³⁷ See: World Bank (2012) *A Level Playing Field: Reforming the Stated-Owned Sector*, January 13th 2012. [Online] <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/EASTASIAPACIFICEXT/VIETNAMEXTN/0,,contentMDK:23087045~pagePK:141137~piPK:141127~theSitePK:387565,00.html> (accessed 25.11.2014)

⁵³⁸ Interview with interviewee 34 & 35

This was an exchange with a JICA official in Hanoi.⁵³⁹

Author: *Many of these projects are big and technical. How do they [Vietnamese officials] know what to ask for?*

JICA official: *We have policy advisors in the ministries who consult with them. These policy advisors are two kinds - a government advisor who is in charge of political affairs, and a technical consultant who is in charge of details of projects.*

Author: *How does this differ from other donors, the US and Europe?*

JICA official: *They are not really here so much. And what they do is simply write up a report for a project and leave it with the ministry. Japan is different because we work WITH the government to resolve problems. Working CONSTANTLY with them on a problem. Westerners don't really work with the government.*

7.4 JAPAN, VIETNAM, AND HEGEMONY III: IDEATIONAL POWER

7.4.1 Regionally Oriented Ideas: Vietnam ⇄ GMS

Moving towards the realm of ideational or normative power, the GMS and its attendant conceptual components are the biggest and central ideational power construct in this thesis. However of particular note is Japan's mini-connectivity project that is the 'CLV development triangle'. Ostensibly designed and material leveraged with Japanese ODA in order to bridge a perceived gap between the CLV countries and greater GMS/ASEAN connectivity, this conceptual project bears remarkable similarities to the colonial WWII notion of the Japanese framed 'Vietnam Federation', which itself was the emergent property of the European notions of 'Indochina' and 'Cochinchina' - a deeply laden historic bloc becomes replicated.

Related to this mini-Mekong development triangle that errs towards increasingly trade, are wider Mekong developments in production chains. The pre-existing Thailand plus One model is being replicated by Japanese companies together with Western companies with the China plus One model, whereby investments in China are diversified as a risk mitigation strategy. A foothold in China for market access sake is maintained, while lower level productive capacities are moved into periphery areas; Hanoi is regarded as a strong potential site.⁵⁴⁰ There is even talk, with the development of Mekong connectivity in border towns, of a Hanoi Plus One model whereby Laos's southern provinces especially Savannakhet are spoke linked to hubs in Vietnam.⁵⁴¹ Korea's Kia and Hyundai are putting pressure on Japanese automobile companies in Hanoi and such a network would afford Japanese companies an extra structural advantage.

7.4.2 Nationally Oriented Ideas: Vietnam ⇄ Japan

At the 'small idea' level, the track-three civil society level of ideational power, a discourse is developing in how to linguistically refer to Japanese versus other Asian economic actors in Vietnam. This is the distinction between 'price' versus 'value'. The major disadvantage Japanese companies suffer is that they are expensive relative to their competitors. They cannot compete with project bids from China, which are often based on the import of cheap and temporary labour from China.⁵⁴² The solution has been the development of a sales discourse - value vs. price, with Japanese companies arguing for their ability to fulfil the first because in the long-term quality of a project, the Japanese investment will last for longer and not need renewal or re-building. This subtle distinction is also understood by the World Bank, which is concerned about the prevalence of cheap, but poor quality project delivery in Vietnam. The largest, and often most corrupt, area is infrastructure and 2013 and 2014 World Bank studies of Vietnam use terms such as 'inefficiency of investment', a neutral and diplomatic sounding phrase that contains an underlying ideological message – short term cheap gains quickly become long term

⁵³⁹ Interview with interviewee 36

⁵⁴⁰ Yanagida, Kensuke. (2014) 'Looking for a plus-one, Japan turns to Vietnam'. *East Asia Forum*, October 23rd 2014. Available at <http://www.eastasiaforum.org/2014/10/23/looking-for-a-plus-one-japan-turns-to-vietnam/> (accessed 20.11.2014)

⁵⁴¹ Interview with interviewee 26

⁵⁴² Similar complaints are made about their Korean competitors who offer terms not as cheaply as Chinese companies, but often fail to do due diligence and then realise at a later date the actual costs, spoiling the original project.

costs; a message concordant with a Japanese corporate worldview.⁵⁴³ Convincing Vietnamese contract awarders to favour 'value' (meaning Japan) over 'price' (meaning China) therefore has a subtle but important political edge.⁵⁴⁴

Japan's economic power is also adept at penetrating civil society - intellectual and everyday - and building support structures for Japan's presence in Vietnam. Social and cultural institutions bolster and normalise formal layers of power. The creation of the Indochina Economics Research Centre (*Indoshina Keizai Kenkyujo*) and the Japanese Cultural Centre (*Nihon Bunka Kaikan*) in 1943 under nominal Japanese occupation - the first to handle business relations and funding, the second to project cultural power through Japanese language classes and cultural 'awareness raising' through events and festivals, were the first examples of this. These institutions quickly replicated themselves in the post-WWII period under different monikers, the Indochina Economics Research Centre became the Japan-Vietnam Trade Association (JVTA) through which quiet (meaning 'non-political') business activities could take place,⁵⁴⁵ while the Japanese Cultural Centre has transmogrified into the 'Japan-Vietnam Friendship Association' that carries a similar brief to its WWII forebear, in addition to the more globally orientated cultural agenda that most developed states in towards globalised world possess.

In the area of what is sometimes referred to in Japan's ODA literature as 'soft infrastructure', Japanese influence extends all the way into the terraforming of minds. There are the country level branches of Japan International Co-operation Centre (JICA) that handles 'international cooperation activities (including technical cooperation)', 'overseas student activities', and 'international exchanges programs'.⁵⁴⁶ In 2006 the Japan-Vietnam Economic Forum (JVEF) spawned the 'Vietnam-Japan University Project' that has plans to build a Japan-Vietnam University with funds from Japan,⁵⁴⁷ in addition to the creation of an annual symposium, the 'Vietnam-Japan Universities Presidents' Symposium'. Once finished within these educational programs, Vietnamese can then turn to the JICA supported Vietnam-Japan Human Resources Co-operation Centre where initiates can take Japanese business courses, find assistance finding a job, and network. One of these jobs may be in a Japanese business (there is a strong emphasis in these Japanese funded bodies on trade and manufacturing, and rather less on the liberal arts for example), or it may be as a researcher at one of the fifteen institutions that focus on Japan, the biggest being the Vietnam Centre for Japanese Studies.⁵⁴⁸

The social clustering effect detailed above within business towers, also occurs at the civil society level. Vietnam is home to a sizable and growing Japanese diaspora of 75,532 necessitating the development of 'Japan Towns' (*nihon machi*).⁵⁴⁹ Japan Towns are often less the result of gradual demographic change in the form of emigration, and more the result of careful calculation, planning and political negotiation. An entire district of central Ho Chi Minh City is called 'Japan District' which is the most expensive area of the city and where many global Japanese companies locate. Family attendants of the Japanese salarymen also need their space, and so north of Ho Chi Minh City, Tokyu Corporation are planning to construct a 'Japan

⁵⁴³ World Bank (2013) *Assessing the Financing Framework For Municipal Infrastructure in Vietnam*. [Online] http://www-wds.worldbank.org/external/default/WDSContentServer/WDS/IB/2014/06/18/000442464_20140618100343/Rendered/PDF/ACSS9190ESW0Wh0Box385243B00PUBLIC00.pdf (accessed 15.12.2014); World Bank (2014) *Strengthening The Financing Framework for Municipal Infrastructure in Vietnam*. [Online] <http://www.worldbank.org/en/news/press-release/2014/03/11/strengthening-the-financing-framework-for-municipal-infrastructure-in-vietnam> (accessed 15.12.2014)

⁵⁴⁴ A Japanese World Bank official interviewed for this study noted that there are indeed rising concerns over the aggressiveness of China's investments in the Mekong, not only in Vietnam but Laos and Myanmar also.

- Interview with interviewee 30

⁵⁴⁵ *Ibid.*, Hirata (1998)

⁵⁴⁶ Japan International Co-operation Centre [Online] *Mission Statement*. Available at <http://sv2.jice.org/e/mission/index.htm> (accessed 02.12.2014)

⁵⁴⁷ Japan-Vietnam Economic Forum (2013) *Vietnam-Japan University Project* [Online] http://jvef.org/VJUproject_English2013_09.pdf (accessed 02.12.2014)

⁵⁴⁸ Faure, Guy, and Schwab, Laurent. (2008) *Japan-Vietnam: A Relationship Under Influences*. Singapore: National University of Singapore Press

⁵⁴⁹ Japanese residents (11,200), increased from 8,462 in 2010, and registered Japanese (64,332).

See: Japan Ministry of Foreign Affairs: Vietnam [Online] <http://www.mofa.go.jp/mofaj/area/vietnam/data.html> (accessed 02.12.2014) and Ministry of Foreign Affairs (2011) Annual Report of Statistics on Japanese Nationals Overseas [Online] <http://www.mofa.go.jp/mofaj/toko/tokei/hojin/11/pdfs/1.pdf> (accessed 02.12.2014). This is second to South Koreans who total 135,000; see: South Korea Ministry of Foreign Affairs: Vietnam [Online] http://www.mofa.go.kr/countries/southasia/countries/20110809/1_22976.jsp?menu=m_40_20_20 (accessed 18.12.2014)

Town' in Binh Duong that is modelled on neighbourhoods parallel to Tokyo's Den'en'toshi line.⁵⁵⁰ In the case of Hanoi this means currently being located centrally but in the near future re-locating to Western Hanoi where Vietnam's ministries are soon to re-locate to, outside of the motorbike congested city centre.⁵⁵¹ Japan Towns thus create a structural power advantage. Not only do they allow for the longer-term placement of Japanese staff overseas as their families can follow them, it also adds to the overall attractiveness of Japan's perception; and it appears to be working.

The ideational impression of Vietnamese towards Japan is overwhelmingly positive. In two, albeit methodologically flawed surveys, Japan's Ministry of Foreign Affairs commissioned inquiries into ASEAN attitudes towards Japan. Among the ASEAN states surveyed, Vietnam stands out as Japan's biggest supporter in many key foreign policy areas, from UN Security Council reform to trade and investment expansion, and even to Prime Minister Shinzo Abe's desires to play a more active military role in the region.⁵⁵² Pew Research Centre opinion data demonstrates that both Japan and Vietnam paired for bottom for favourable views of China but have a favourable view of each other (see table 7.3).⁵⁵³ Vietnam ranks ninth globally in the number of students being sent abroad to study at foreign universities (China is number one, Japan is twenty two).⁵⁵⁴ Of this sizeable demographic, Vietnam is the leading Southeast Asian nation to send students to study at universities in Japan. Behind China, Korea, and Taiwan, 2012 figures show Vietnamese rank fourth in the number of foreign university students studying in Japan.⁵⁵⁵ This positive view of Japan in combination with the negative view of Vietnamese towards China only adds to Japan's ability to garner consent from the population's leaders.

7.5 CONCLUSION

In summary, this chapter has argued that it has been Japan's hegemony in operation in Vietnam that has helped to transition Vietnam from its previous alignment within a Communist USSR world order into its presently confusing position as Communist single party state at the helm of a rapidly developing capitalist economy. Technical assistance from Japan with the Ishikawa Project created the precedence for intervening in Vietnam's five and ten year plans in the same way as had been done in Thailand since the 1970s. Many of the lessons learnt were applied in Vietnam's case, and the creation of global economy friendly institutions, frameworks, and worldviews were inculcated. However the Japanese state's position would not have been possible if it were not for Japan's private sector that had remained in Vietnam despite US embargos and political pressure. Japan has been able to garner the consent for a great deal of penetration into Vietnam's institutions in addition to the adaptation/creation of new ones. From the creation of SEZs and Industrial Parks, Japan Towers, the Japan Desk, and 'The Committee', Japan is able to work from the inside to create the conditions that facilitate greater economic penetration. Importantly, these developments are also allowing the GMS program to enter through Vietnam, which has knock-on effects for the success of the entire regional agenda. Not only is Vietnam crucial as one side of the Mekong peninsula, Vietnam's antipathy towards China means working with Vietnam has made developing connectivity in the Mekong easier on the Eastern side than the Western, Myanmar, side. Vietnam's re-alignment with the GMS has also allowed Laos and Cambodia to become pinned into the project, through not only the

⁵⁵⁰ Nakata, Hiroko, 'Tokyo, Vietnam partner building 'Japanese town'', *Japan Times*, October 5th 2012 [Online] <http://www.japantimes.co.jp/news/2012/10/05/business/tokyo-vietnam-partner-building-japanese-town/#.VCz65tkazCQ> (accessed 10.08.2014)

⁵⁵¹ Currently in Hanoi, Taisei Corporation is negotiating with the Vietnam government to create 'Japan Towns' or 'Japanese Villages' in Western Hanoi.
- Interview with interviewee 33

⁵⁵² See: Japan MOFA [Online] *Opinion Poll on Japan in Six ASEAN Countries (Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam)*, 2008. Available at <http://www.mofa.go.jp/region/asia-paci/asean/survey/> (accessed 30.11.2014)
See: Japan MOFA [Online] *Opinion Poll on Japan in Seven ASEAN Countries*, April 18th 2014. Available at http://www.mofa.go.jp/press/release/press4e_000271.html (accessed 30.11.2014)

⁵⁵³ Stokes, Bruce. [Online] 'Japan, China neck and neck in Asian popularity contest'. *Nikkei: Asian Review*, July 17th, 2014. Available at <http://asia.nikkei.com/magazine/20140717-The-victor-s-dilemma/Viewpoints/Bruce-Stokes-Japan-China-neck-and-neck-in-Asian-popularity-contest> (accessed 21.11.2014)

⁵⁵⁴ Nikkei: Asian Review [Online] *Students studying abroad around the world top 4M*. June 16, 2014. Available at <http://asia.nikkei.com/print/article/36047> (accessed 20.08.2014)

⁵⁵⁵ Japan Student Services Organisation (JASSO) [Online] *International Students in Japan 2012*. February 18th 2013. Available at http://www.jasso.go.jp/statistics/intl_student/data12_e.html (accessed 20.08.2014)

economic corridors but also the Japan favoured micro development triangle of the CLV-DTA. It is though Vietnam in addition to being through Thailand that Japan is able to extend proxy influence into Cambodia and Laos.⁵⁵⁶

In conclusion, a successfully integrated Vietnam has always been regarded as the keystone upon which the successful integration of Indochina would be possible. That to a large extent has been achieved, and in Vietnam Japan has a key strategic partner that serves wider geo-political gains in addition to materially economic ones. In the following chapter on Cambodia, that advantage is far more mixed, and that is despite Japan's wholesale re-construction of the devastated kingdom.

⁵⁵⁶ Interviewee 8

8.0 CAMBODIA: JAPAN'S LIBERAL PROJECT

There is no clearer epitome of Cambodia's political-economy within a global context than a visit to Angkor Wat, the kingdom's globally recognised tourist attraction, and national symbol. The ancient temple complex, now a symbol of soft nationalism for the political regime is a series of temples that can be read in the same way that layers of rock sediment can be read in a cliff face - as a testimony to Hindu then Buddhist domination, as differing designs stack on top of each other. Allowed to fall into disrepair and absorption into the jungle for close to half a millennia, the complex was brought to the world attention by a Frenchman, Henri Mouhot. Currently, the yearly tourism revenues of forty million dollars do not go to the government of Cambodia but instead to an import-export company, SOKIMEX, that leases the temple site.⁵⁵⁷ The founder of SOKIMEX is Oknha Sok Kong, who is of Vietnamese-Cambodian descent. Entrance to the complex and the local economy devoted to it, can be paid for in riel or dollars since the site, and indeed the Cambodian economy generally, operates a dual currency system with 'dollarisation', unlike neighbouring Vietnam and Laos where it is declining, on the increase.⁵⁵⁸ As outlined in chapter five, is a country masquerading as a democracy when in reality it is one-party state with a 'New Class' such as in Vietnam, that is absorbing as much as possible from global orders and leaving its people out of the process. Japan has played a large role in the development of this state of affairs. Through the 1980s, Japan worked to bring conflicting parties together in order to eventually nation-build with the 1993 UNTAC process. Rather than produce a liberal democracy, what has resulted is what Cox calls a 'proto-state', i.e.: a conservative, post-colonial state, marked by arbitrary violence of the regime in order to protect their individualised gains from the state/world order connection.

The purpose of this chapter is to highlight how this has developed and demonstrate that this is not necessarily an issue in relation to Japan's hegemony in the region. Cambodia is crucial and will become increasingly more crucial, to Japan's strategic interests in the Mekong and Southeast Asia. Cambodia, landlocked as it is between all three Mekong states, has historically played a role whereby larger powers settle their disputes by proxy. Little has changed except for the number of actors who desire to influence the internal affairs of the kingdom, and principal among them is the Japanese state. The thesis of this chapter is two-fold. Firstly, that Cambodia is a proto-state, governed by a foreign installed elite class, which has been buffered by the post-Cold War liberal democratisation agenda. This agenda has failed, and is instead being utilised by an absentee landlord class to rent out or sell Cambodia's natural resources and its people's economic livelihoods into a regional and global order that they will have little chance to recover. Secondly, that the leader of this international agenda has been Japan, which has designs on Mekong and ASEAN 'connectivity', and is expending great efforts to both politically orient the Cambodian regime towards their politico-economic sub-regional/regional agenda, and economically orient them towards a neo-liberal paradigm that accepts Japanese economic power as *sine qua non* to Cambodia's future prosperity.

The chapter begins with an overview of Japan and Cambodia's historical relations in their fullest detail. This is because it is felt that Japan-Cambodia relations often begin and end with the UNTAC intervention, when in reality relations are a great deal deeper than that. The second section moves onto the material analysis section of Cox's social relations of production, and very quickly the reader will determine the great power tool that ODA is for Japan in dealings with the Kingdom of Cambodia. A condition of dependency has been created that is guiding Cambodia towards the priorities of Japan's GMS project. The major priority in relation to Cambodia is road-building and the first section will demonstrate a great deal of geo-political rivalry in Cambodia's situated position at the cross-roads of the GMS's East-West/North-South economic corridors. Institutionally, Japan has played a role with other donors of practically installing a new set of institutions into Cambodia, and those that remained of the traditional sort are directly penetrated by Japanese elites who are able to operate from within Cambodia's ministries; writing policy and formulating objectives with ministers directly. Ideationally the

⁵⁵⁷ Revenue figure estimated using on-site Angkor Wat promotional materials claiming two million visitors who each pay \$20 for a daily pass.

⁵⁵⁸ Duma, Nombulelo. (2011) 'Dollarisation in Cambodia: Causes and Policy Implications.' *IMF Working Paper Series*, WP/11/49

chapter closes by considering how a major element of the GMS project - tourism - is being applied in Cambodia and, as in Thailand during the 1970s, a civil society level 'disciplining' is taking place with the creation of consumerism, cultural centres and friendship societies that embeds with Cambodian's minds the idea of a favourable Japan.

8.1 JAPAN-CAMBODIA RELATIONS

Japan's relations with Cambodia have a long precedent. Relations began with the Kingdom of Angkor in 1569, sixty-six years before the enactment of *sakoku*, and in the thirty-one years between 1604 and 1635, forty-four trading ships visited to trade under the *shuinsen* red seal ship system.⁵⁵⁹ Not only trade (and accompanying samurai) but also Christianity propelled Japanese into Cambodia, with Japanese Christians seeking to escape crackdowns at home, and the first missionary that catered to Japanese in Cambodia was established in 1616 by Pedro Marques, who had himself been expelled from Japan two years prior.⁵⁶⁰ Further evidence of this early Japanese involvement in Cambodia comes from Angkor Wat itself. Rather than the Eurocentric notion that Henri Mouhot 'discovered' Angkor Wat in 1860, a Nagasaki based interpreter named Shimano Kenryo (between 1625-1635), sent by Tokugawa Iemitsu, drew the first (and still in use) accurate map of Angkor Wat in the 1630s.⁵⁶¹ Japanese inscriptions can be found around the temple complex, suggesting that some Japanese may have actually lived there, however most lived in a community number around one hundred in a village on the outskirts of modern Phnom Penh.⁵⁶² Japan's closing to the world coupled with Cambodia's being placed under French Protectorate (1867-1953) meant that the next Japanese engagement with Cambodia would be in the context of war and empire building.

Japan in Cambodia during the first half of the twentieth century shares many of the characteristics outlined in the previous chapter with regards to Japan-Vietnam WWII/post-WWII relations, namely that the Japanese empire began as buffering supporter of French hegemony while simultaneously stirring anti-colonial sentiment, then assuming full control with a *coup de force* in the closing months of WWII with Operation Meigo. The Japanese military entered Cambodia in August 1941, and just as in Vietnam with the cultivation of an alternative symbolic regime, in Cambodia Japanese elites set about playing a double game. Initially supporting the French created monarchy under King Norodom Sihanouk, the Japanese began seeking out Sihanouk alternative, Prince Monireth, from October 1944 and upon seizing power (March-October 1945), installed their own political leader with Son Ngoc Thanh in March 1945.⁵⁶³ Thanh was a nationalist and republican within the early Thai backed, later CIA backed, Khmer National Liberation Committee wing of the umbrella anti-colonial grouping Khmer Issarak, and had fled French searches to Japanese controlled Thailand where he was given protection by the Japanese embassy and later flown to Japan in January 1943 for 'safe keeping'.⁵⁶⁴

This tendency by Japanese political elites to attempt to cultivate consent among key players in Cambodia did not end with the end of WWII, and an important element of influence has been what may be termed 'imperial diplomacy'. The attempt by France to re-establish colonial control, first with the failed Indochinese Federation then the Associated States Of Indochina, initially precluded Japan's re-entry to Cambodia since, while these newly established independent states were domestically controlled, they still existed within French controlled foreign relations that permitted only limited international diplomatic relations. Between

⁵⁵⁹ Imperial Household Agency [Online] *Remarks by His Majesty the Emperor at the State Banquet in Honour of His Majesty Preah Bat Samdech Preah Boromneath Norodom Sihanoni, King of Cambodia*, May 17th 2010. Available at <http://www.kunaicho.go.jp/e-okotoba/01/address/okotoba-h22e.html#0517> (accessed 28.02.2015)

⁵⁶⁰ Ribeiro, Madalena (2001) 'The Japanese Diaspora in the Seventeenth Century: According to Jesuit Sources.' *Bulletin of Portuguese-Japanese Studies*, No. 3, pp.53-83

⁵⁶¹ Gunn, Geoffrey, C. (2011) *History Without Borders: The Making of an Asian World Region, 1000-1800*. Aberdeen, Hong Kong: University of Hong Press

⁵⁶² *ibid.*, Gunn (2011)

⁵⁶³ Gunn, Geoffrey (2012) 'The Passing of Sihanouk: Monarchic Manipulation and the Search for Autonomy in the Kingdom of Cambodia.' *The Asia-Pacific Journal: Japan Focus*, Vol. 10, Issue 50, No. 1. Available at <http://www.japanfocus.org/-Geoffrey-Gunn/3864> (accessed 20.12.2014)

⁵⁶⁴ *ibid.*, Gunn (2012)

February-November 1953, Sihanouk launched a world tour - the so-called 'royal crusade for independence', visiting Japan, and in July 1953 Cambodia independence procedures began (full independence granted November 1953). However, he was unable to secure Cambodia from outside intervention and between 1969 and the departure of the ICSC-Cambodia followed by the collapse of the 'Kingdom of Cambodia' and the kingdom's eventual return in 1993, Cambodia travelled violently through four forms of state. Japan's engagement during the early part of this period was limited, however from the early 1980s Japan begins to play a bridge-building role within Cambodia marked by four phases of quiet diplomacy that are often missed in analyses of Japan's foreign relations, and four such moments are identified here: in 1982 (the Son Sann visit to Tokyo); between 1987-1990 (the Sihanouk-Hun Sen meeting; the Sihanouk-Tokyo visit to end the Vietnam-Cambodia War; the joint Hun Sen-Sihanouk visit to Tokyo), in 1993 (the UNTAC process); and in 1997 (the conflict between the First Prime Minister and Second Prime Minister).

With the withdrawal of Vietnam, a major intervention came with Japan's leadership, through Akashi Yasushi, of the United Nations Transitional Authority (UNTAC). Japan's elite level engagements with both Sihanouk and Hun Sen had been established, and at the failed Paris International Conference in 1989 Japanese delegates lobbied for a larger role, in addition to chairing the third committee responsible for reconstruction and refugees in Cambodia. Following the 1991 Paris Peace Accords and authorised by Security Council Resolution 745 (February 1992), UNTAC was given eighteen months to: enforce the Paris Peace Accords (supervise Vietnam's withdrawal); protect and promote human rights; create and hold elections; demobilise military forces; and repatriate refugees and displaced persons.⁵⁶⁵ The overall aim was hubristic - to externally meddle with class/group relations by introducing multiple socio-political forces that were held only tenuously together (the Coalition Government of Democratic Kampuchea), to face a pre-existing hegemonic group that held an entrepreneurial control over most levers of state (the State of Cambodia), and hope that these power relations would be channelled peacefully through elections and a respect for human rights. It was the most expensive, the largest, and the most ambitious UN peace keeping/peace building mission ever attempted, and Japanese (alongside Australian and French) leadership would be very visible. Akashi's position in UNTAC strengthened Japan's willingness to heavily fund the effort (almost half of the budget), commit Japanese military forces (the PKO bill in June 1992 allowed Japanese military forces to venture abroad for the first time since the end of WWII).

With the UNTAC intervention, Japan departed from its traditionally 'economics first' approach to building hegemony. Attempting to prove something to the international community, Japan's desire to engage in the 1990s trend towards liberal interventionism has coloured its relations with Cambodia in ways that are less the case in Thailand or Vietnam. The point of developing hegemony is that economic structures can build political structures that become quickly normalised and indispensable. As the following sections will show, by attempting to nation-build, Japan now spends a great deal of its economic power on politic-institutional reforms rather than the sort of state capitalist inspired economic-institutional reforms that have proved so successful in Thailand and Vietnam. This is coupled with the co-development of a purely neo-liberal state, whereby the Cambodian regime are entirely dependent on outside actors, and utilise the organs of state to benefit self-servingly as much as possible from integrating into global orders. This is why it is so difficult to establish national level hegemony, as the only loyalty the Cambodian regime has is to global ODA and investment markets, rather than on developing the capacity of its country for its people.

8.2 JAPAN, CAMBODIA, AND HEGEMONY I: MATERIAL POWER

8.2.1 ODA

Cambodia is highly dependent on ODA. Referring to fig 8.2, since the UNTAC intervention ODA has continually increased to the kingdom while tax revenues from the population have

⁵⁶⁵ United Nations Security Council, Resolution 745, February 28th 1992. [Online] <http://daccess-dds-ny.un.org/doc/RESOLUTION/GEN/NR0/01/1/04/IMG/NR001104.pdf?OpenElement> (accessed 01.03.2015)

remained stagnant. The United States has historically been Cambodia's largest ODA provider, during the dark days of the 1970s when realpolitik drove aid considerations. The US remains Cambodia's second largest ODA provider after Japan, which overtook the US in 1993 after UNTAC's involvement (see fig 8.3); and overtake Japan did. World Bank figures reveal that between 1993-2012, Japan has disbursed almost \$2.1 trillion, more than double the US's \$970 million. For the period 2002-2013, OECD DAC disbursement figures show Japan's \$1.5 totalled ODA provision represents 28 per cent of all bilateral DAC aid, and between 25 per cent to 35 per cent of total DAC bilateral disbursements (see table 8.3).⁵⁶⁶ In relation to Cambodia, given the country's history, the humanitarian agenda needs to be placed in foremost place. Health, education and food projects do exist, but they are small by comparison. While the statistics reveal the second largest sector to be 'social services', this is because the JICA classification actually includes large water related projects that are very expensive and still, strictly speaking, infrastructure. Furthermore, large grants have been allocated to 'demining activities', again potentially fulfilling the humanitarian norm. However, these efforts maintain a cynical motive, as these efforts are to clear the way for further projects, i.e.: road building. As one Korean executive interpreted for this researcher: "Why do you think the Japanese want to build all these roads in Cambodia and Vietnam? To sell cars and motorbikes. The mines in Cambodia get in the way of that, so they get cleared up".⁵⁶⁷ Japan's established preference for big infrastructure and energy remains, even for the smaller and more restrictive grants, with the largest sector being 'transportation' (see table 8.2).

Around 90 per cent of Japan's ODA arrives in the form of grants and technical assistance to Cambodia however a shift is taking place. The most recent figures released by JICA reveal that since 2010 Japan has been steadily switching from grants to loans (see fig 8.4). These have been heavy injections of capital towards existing ODA projects, notably in the areas of roads and electricity,⁵⁶⁸ indicative of an increasing sectorial competition with ODA from China, in addition to the fact that around the same time overall ODA from China was boosted significantly (fig 8.5). China's large volumes of ODA from 2010 are accounted for largely by road building.⁵⁶⁹ Not working within international political frameworks however, and seeking to relieve domestic pressures for the employment of low skilled workers, China's road building projects are often hastily planned and poorly constructed, whereas Japanese and Korean ODA tends to be guided their own policy frameworks and expected voter approval.⁵⁷⁰ The impact of this increasingly competitive aid environment to fund large-scale infrastructure is land clearances, a potent political rallying call for Cambodia's opposition. Around thirty thousand people are cleared to make room for developers every year,⁵⁷¹ while economic land concessions have been given that equate to half of Cambodia's arable land.⁵⁷² A dramatic example is the Boeung Kak lake, one of seven natural lakes in Cambodia that is tabled to be filled in after a ninety-nine year lease was given to Shukaku Inc. in 2007 in a shadowy deal with City of Phnom

⁵⁶⁶ The top five donors to Cambodia for this period are, in descending order: Japan (\$1.5 trillion, 28 per cent of DAC contributions), US (\$838 million, 16 per cent of DAC contributions), Australia (\$540 million, 10 per cent of DAC contributions), Germany (\$397 million, 8 per cent of DAC contributions), Korea (\$343 million, 7 per cent of DAC contributions)

⁵⁶⁷ Interview with interviewee 9

⁵⁶⁸ 'National Road No. 5 Improvement Project (Prek Kdam-Thlea Maam Section)'; 'Phnom Penh City Transmission and Distribution System Expansion Project'; 'Southwest Phnom Penh Irrigation and Drainage Rehabilitation and Improvement Project'; 'National Road No. 5 Improvement Project (Battambang-Sri Sophom Section)'

⁵⁶⁹ 'Rehabilitation of National Road No. 57B Project'; 'Rehabilitation of National Road No. 59 Project'; 'Enlargement Project of National Road No.6A'; 'Project of Extension National Road 76 National Road No. 5'; 'Project of National Road No.214 and construction across the Mekong River Bridge'; 'Project of Reconstruction NR.6 of Cambodia (Thnal Kaeng to Ang Kroeung section)'

⁵⁷⁰ Ky, Sereyvath., Lee, Cheon-Woo. & Stauvermann, Peter. J. (2012) 'A Comparative Study on Characteristics of ODA of China-Japan-Korea to Cambodia'. *Journal of East Asian Economic Integration*, Vol. 16, No. 4, pp333-361

This study's statistical findings were confirmed by the interpretive findings from interviews in Cambodia during the summer of 2014. Among various Japanese, Korean and British elites the general perception pervades that Chinese investments, especially focusing on roads, are of bad quality and often wash away during Cambodia's half year rainy seasons.

⁵⁷¹ Thul, Prak Chan, Petty, Martin and Nishikawa, Yoko [Online] 'Cambodia agrees land deal after World Bank halts loans.' *Thomson Reuters Foundation*, August 16th 2011. Available at <http://www.trust.org/item/?map=cambodia-agrees-land-deal-after-world-bank-halts-loans/> (accessed 15.02.2015)

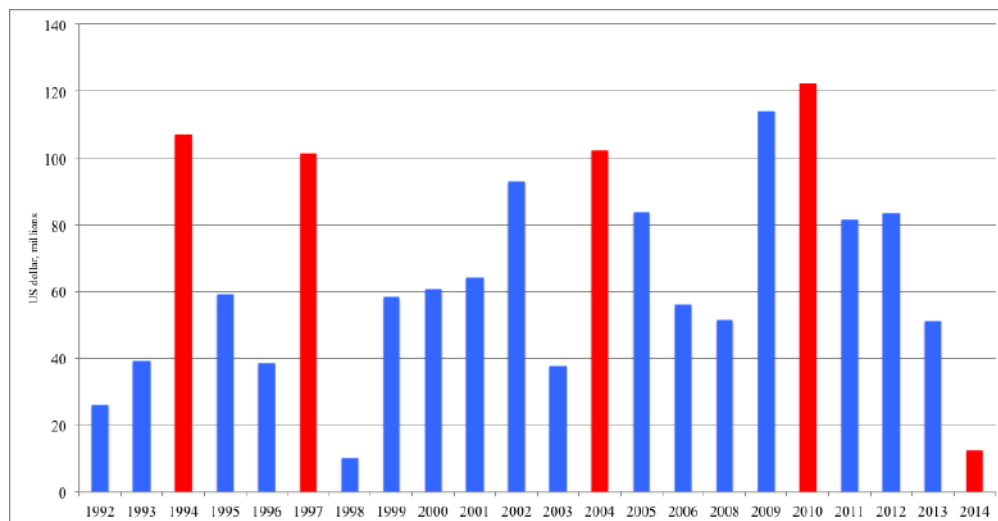
⁵⁷² Neef, Andreas. and Touch, Siphath. [Online] 'Land Grabbing in Cambodia: Narratives, Mechanisms, Resistance.' *Contested Global Landscapes*, Cornell University, October 17th - 19th 2012. Available at <http://www.cornell-landproject.org/download/landgrab2012papers/Neef.pdf> (accessed 15.02.2015)

Penh officials that resulted in the re-settlement of twenty thousand lakeside inhabitants and potentially causing floods that will affect many more.⁵⁷³

8.2.1.1 Direct Influence

In terms of direct power, the Japanese state's use of aid as a positive sanction is evident on multiple occasions and has been actively utilised as part of a broader regional and broader dimensional expansion of Japan's international relations. In 1991 in Singapore as part of an ASEAN tour, Prime Minister Kaifu Toshiki contrasted Japan's economic power and political power and declared with reference to Cambodia Japan's desire to use the former towards the achievement of the latter.⁵⁷⁴ The UNTAC intervention and Japan's then assumption of responsibility for the mediation and re-construction of an entire country led to a series of positive sanctions. Despite the subsequent political crises in Cambodia that prompted negative aid sanctions from the US and European donors, Japan continued or even increased positive aid sanctions. In the wake of the 1996/1997 political crisis and donor aid was withdrawn, Hun Sen came to Tokyo ostensibly for an eye operation but in fact was seeking greater aid from Japan to replace that lost by Western donors.⁵⁷⁵ Seen over the long term, since the UNTAC intervention it is possible to discern a dramatically increased provision of grant aid in the year subsequent to each of Cambodia's post-genocide election/crises of 1993, 1996/1997, 2003, 2008 and 2013 (see below, fig J).⁵⁷⁶ This is the Japanese state using the aid 'carrot', and interestingly the Japanese state has never opted for the aid 'stick' at any point indicating the degree of priority the Japanese state places on Cambodia.

Fig. J Japan's Grant ODA to Cambodia, 1992-2014



Data source: JICA project listings, compiled by author.

Note 1: red bars correspond to the year *after* a national election. There was a national election in 1997 however a political crisis had set in by 1996 that Japan's mediating interventions were involved with, hence why 1997 is marked.

Note 2: 2007 is unavailable.

Note 3: this data set has been compiled by the author from JICA's individual project listings, and is not a summary set. On occasion, the year of the project may be different between differing listings, depending on events on the ground. Nevertheless, the general trend remains intact.

⁵⁷³ Hesse, Stephen [Online] 'Overseas aid benefits whom?' *Japan Times*, December 24th 2008. Available at <http://www.japantimes.co.jp/life/2008/12/24/environment/overseas-aid-benefits-whom/#.VPraOGZMZZj> (accessed 15.02.2015)

⁵⁷⁴ MOFA [Online] *Policy Speech by Prime Minister Toshiki Kaifu during his ASEAN Visit*. Singapore, May 3rd 1991. Available at <http://www.mofa.go.jp/policy/other/bluebook/1991/1991-appendix-2.htm> (accessed 20.01.2015)

⁵⁷⁵ Oishi, Mikio. and Furuoka, Fumitaka. (2003) 'Can Japanese Aid be An Effective Tool of Influence? Case Studies Of Cambodia And Burma.' *Asian Survey*, Vol. 43, No. 6, p890-907

⁵⁷⁶ Note that while 2014 provisions appear low and in contradiction to this observation, this is because firstly not all projects and data have yet been released by JICA for 2014 and secondly, the shift from grants to loans has been taking place and in 2013 and 2014 Cambodia received multiple large loans instead.

So important is this priority that Japan is willing to go against even multilateral rules and norms on tying lending to Least Developed Countries (LDCs). Cambodia has been on the definitional cusp of the World Bank LDC definition (between \$200-\$1,045 GDP per capita), and likely is aiming not to change status, as certain advantages would be lost, e.g.: the ‘everything but arms; trade privileges with the EU. This rubs against Japan’s desire to see Cambodia move up the ‘ODA escalator’ (see chapter four) so that Japan can increase ODA loan lending that is tied to Japanese companies. JICA officials interviewed in Cambodia speak quite openly about their desire for Cambodia to achieve a certain degree of economic development and ‘graduate’, so as to move over the developing country threshold and be allowed to receive more loan aid (and therefore indebtedness).⁵⁷⁷ Given the increase in aid provision from China - not a member of the OECD DAC and thereby not constrained in any way - Japan can work around the issue by setting interest rates and grace periods in such ways as to pass through OECD rules intact while appearing to respect them.⁵⁷⁸ Japan will have to either continue tweaking loan contract arrangements or convince Cambodia’s elite to ‘graduate’ from LDC status in order to compete with China.

8.2.1.2 Indirect Influence

Cambodia’s government revenues are heavily dependent since UNTAC on foreign state capital provision. Sophal Ear sets out in detail the case that foreign aid has created for Cambodia a condition of dependency. Sophal argues that billions in foreign aid have neither facilitated the development of democracy, nor the improvement of governance structures, nor the alleviation of poverty, and instead have only served to better enable a corrupt and authoritarian regime.⁵⁷⁹ Moreover Sophal argues, aid has deformed the Cambodian economy by insulating the group with its hands in control of the state - the CPP - from the economic ties it is meant to have with it’s people, through for example taxation. Sophal’s Cambodian voice finds support in many of the non-Cambodian analysts of Cambodia. However, it does not go far enough. The Critical question is ‘who is aid in Cambodia’s case for, and for what purpose?’

Japan’s aid influence goes further than creating dependency and insulating a one party state. It is to use that established status quo to permit Japan’s economic power wide-ranging access to Cambodia in order to transform it to better integrate the country into the GMS agenda. In the post-conflict period up to 2003, the main policy focus of the Cambodian regime was the ‘triangular strategy’ (building peace and stability, regional integration and normalisation of international relations, and social and economic reform). After the 2003 election, this evolved into the ‘rectangular strategy’ (four interlocking rectangles), referring to four national strategy objectives sub-divided by four composite sub-goals.⁵⁸⁰ Now in its third phase,⁵⁸¹ they read like a

⁵⁷⁷ Interview with interviewee 12 & 13

⁵⁷⁸ JICA [Online] *Operational Rules of Special Terms for Economic Partnership (STEP) of Japanese ODA Loans*. Available at http://www.jica.go.jp/english/our_work/types_of_assistance/oda_loans/step/c8h0vm000053zae9-att/c8h0vm000056jr3z.pdf (accessed 20.12.2014)

⁵⁷⁹ Sophal, Ear. (2013) *Aid Dependence in Cambodia: How Foreign Assistance Undermines Democracy*. New York: Columbia University Press

⁵⁸⁰ Goal 1 - good governance (1. anti- corruption, 2. legal and judicial reform, 3. public administration reform including decentralisation and deconcentration, 4. reform of the armed forces, especially demobilisation)

Goal 2 - implementation (1. peace, political stability and social order, 2. partnership in development with all stakeholders, including the private sector, donor community and civil society, 3. favourable macroeconomic and financial environment, (4) the integration of Cambodia into the region and the world)

Goal 3 - growth (1. enhancement of agricultural sector, 2. private sector development and employment generation, 3. continued rehabilitation and construction of physical infrastructure, 4. capacity building and human resource development).

Goal 4 - each of the previous ‘growth rectangles’ has a further four sides (see page 6)

See: Address by Prime Minister Hun Sen, Royal Government of Cambodia to First Cabinet Meeting of the Third Legislature of the National Assembly, *The Rectangular Strategy for Growth, Employment, Equity and Efficiency in Cambodia*, July 2004. Available at http://www.cdc-crdb.gov.kh/cdc/aid_management/RGC_Rectangular_Strategy_2004.pdf (accessed 22.02.2015)

⁵⁸¹ Rectangular Strategy Phase II (2008): essentially the same general framework as phase I but with a few slight refinements, including the addition of mine clearing in land reform, the creation of a social safety net, promoting SMEs, and developing ICT capacity. See: Prime Minister Hun Sen, Royal Government of Cambodia to First Cabinet Meeting of the Fourth Legislature of the National Assembly, *‘Rectangular Strategy’ for Growth, Employment, Equity and Efficiency Phase II*, September 2008. Available at http://www.cdc-crdb.gov.kh/cdc/documents/Rectangular_Strategy_Phase_II.pdf (accessed 22.02.2015)

Rectangular Strategy Phase III (2013): further refinements including a special focus on capacity and human resource development, a focus on banking and the financial sector, and trafficking. See: Royal Government of Cambodia of the Fifth Legislature of the National Assembly, *‘Rectangular Strategy’ for Growth, Employment, Equity and Efficiency Phase III*, September 2013. Available at http://cnv.org.kh/wp-content/uploads/2013/10/26sep13_rectangular-strategy_phaseIII.pdf (accessed 22.02.2015)

dictionary of in-vogue UN-esque development buzzwords, and the plans have gradually grown in size and linguistic complexity demonstrative of the closer alignment between Cambodian and international planners like Japan.⁵⁸² However, more importantly, many of the objectives run tightly concordant with ADB and Japan GMS plans. They are not only indicators of the regime's general thinking, serving as a US 'State of the Union' type national assessment opportunity for Hun Sen, but also a detailed shopping list of what the government will most likely be requesting in the subsequent few years. The most recent version enumerates the general objective of becoming an upper-middle income country by 2030 and a high-income country by 2050 and Japanese planners have been central to developing each of them. With an alignment established between national policy and GMS goals, facilitated with structurally oriented ODA power, Japan has been permitted to terraform Cambodia with the consent of the Cambodian state and in accordance with multilateral plans. With such an embedded influence, Japan has in the last decade begun conceptualising its ODA to Cambodia differently.

Since 2004, as Japan began to establish first, formal CLV-Japan bilateral relations and then second, formal Mekong-Japan bilateral relations (see chapter four), Japan's economic power has increasingly begun to be 'securitised'. Beginning in 1997, the US put sanctions in place on direct aid to Cambodia due to the Cambodian regimes democracy and human rights record, and diplomatic relations suffered in 2005 due to the treatment of opposition leader Sam Rainsy. However since 2005 however a rapprochement is taking place, driven by security concerns (anti-terrorism, anti-piracy, greater military cooperation in light of a rising China), with the US Foreign Military Financing Program funds opened up to Cambodia in 2005; followed by direct aid resuming in 2005, followed by the US EXIM being unlocked in 2009.⁵⁸³ The US has realised that Cambodia's southern facing coastline and China proximal position provides a potential security advantage. Furthermore US oil and gas companies such as Chevron are interested in resource exploration in Cambodia. This combination of resources and US security interest has spurred on Japanese companies. As a senior figure in the Japan Business Council of Cambodia confided to this researcher:

In Cambodia there is great interest in exploring the sea off the coast of Cambodia. The government believes they can replicate what Thailand found before. Chevron was engaged, but then they sold their project to a Singaporean Group, so we were going to pull out. But then I looked and discovered that although Chevron had sold their stake, the key people on the board in the Singaporean company were still American, so I stay in. In the past, we built a huge refinery in Iran, but then after the Iranian revolution it was seized, and we only survived with a government insurance injection. That was very traumatic. Ever since, Japanese power companies realised the best thing to do is to be in partnerships with Anglo-Saxons. Japanese energy companies need Western partnerships. Why, because you have gunboats and we dont! If there is an American commercial interest there, then the US government will remain engaged.⁵⁸⁴

As far back as 2005 Cambodian officials voiced support for Japan's bid for a Security Council seat,⁵⁸⁵ and statements to this effect are regularly inserted into bilateral, Mekong and ASEAN related diplomatic statements from Japan. In 2000, the Cambodian delegate to the Convention on the International Trafficking of Endangered Species (CITES), Chun Sareth, admitted that the Japanese state promised aid in return for voting to lift a ban on hunting and trading the Minke whale, and this despite Cambodia possessing no whaling industry or Minke whales in its

⁵⁸² Version one was only twenty five pages compared to following two 'revisions' that amounted to over forty pages, while the number of points in the phase two ran to 118 that had swollen to 139 by phase three.

⁵⁸³ Thayer, Carlyle. (2012) 'Cambodia-United States Relations.' In Sothirak, Pou., Wade, Geoff. & Hong, Mark (eds.) *Cambodia: Progress and Challenges Since 1991*. Singapore: Institute of Southeast Asian Studies

⁵⁸⁴ This was made readily comprehensible by the frank acknowledgement by a senior figure in the Japan Business Council of Cambodia who is also a senior figure in one of Japan's major general trading companies which trades in commodities including energy:

- Interview with interviewee 11

⁵⁸⁵ VOA Cambodia [Online] 'Cambodia Voices Support For Japan's U.N. Security Council Seat Bid.' *VOACambodia.com* June 10th 2005. Available at <http://m.voacambodia.com/a/a-40-2005-06-10-voa1-90145932/1354295.html> (accessed 10.01.2015)

waters.⁵⁸⁶ However, with shifting US interest comes shifting Japan state formal interests with Cambodia. In 2013 Cambodian relations with Japan were upgraded to ‘strategic partnership’ and in the same year, as part of Prime Minister Abe’s 2013 Southeast Asia diplomatic tour, he and Cambodia’s Hun Sen issued an unusually explicit joint communiqué stating that: “importance of settling maritime disputes by peaceful means in accordance with universally recognised principles of international law including the 1982 United Nations Convention on the Law of the Sea”.⁵⁸⁷ This subtle reference to China’s actions in the South China Sea is echoed by Cambodia and ASEAN. In the most recent, 17th ASEAN-Japan Summit, the same phrase relating to the 1982 law was included, in addition to welcoming ‘Japan’s initiative ‘Proactive Contribution to Peace’’.⁵⁸⁸ From the equivalent section of the 17th ASEAN-China summit emerged nothing close to such overt support, declaring the need to ‘respect the Declaration on the Conduct of Parties in the South China Sea (DOC)’.⁵⁸⁹ Just as with Vietnam, Japan’s plans to use ODA indirectly to multilateralise Cambodia within the GMS are being challenged by a rising Chinese influence in the region and particularly in Cambodia.

8.2.2 Communication

Connectivity is a major imperative of the GMS project. Japan and other’s interest in Cambodia emerges from the kingdom’s geographical position as a bridgeway territory within designs to plans to connect not only the Mekong region, but to also integrate the Mekong region into Southeast Asia (the ASEAN highway), and inter-regionally East Asia with South Asia (the Asian Highway). Phnom Penh is quickly developing into the epicentre of far reaching regional forces.

As established previously, Japan’s state based aid power expresses the greatest influence in Cambodia. There are three stated priority areas for Cambodia: (1) strengthening of the basis for economic activities, (2) promotion of social development, and (3) strengthening of governance,⁵⁹⁰ however overwhelmingly the focus is on the first. Expressed as a country specific agenda ‘strengthening of the basis for economic activities’ in actuality refers both to Japan’s big infrastructure building agenda, in addition to broader strategic aims of connecting the Mekong region. This takes on a special potency in Cambodia where the quality of roads are so poor, along with 65 per cent of passenger travel and 70 per cent of commercial travel relying on the road network.⁵⁹¹ Cambodia’s war-torn lack of infrastructure is not only a temporary boon for Japan’s *dokken kokka* (construction state) fed companies; it is a renewable one also. The kingdom has only two seasons - wet and dry. Cambodia’s rainy season is so extreme that for half of the year large swathes of the country are under water and nothing can be built. The flooding created also causes a lot of infrastructure damage and as is possible to discern from the many JICA projects with names beginning with ‘Project for the improvement of.’ or ‘Project for the rehabilitation of. ...’, these Japanese infrastructure builders are able to receive multiple rounds of funds after an initial contract has been fulfilled.

⁵⁸⁶ See: Kyne, Phelim. [Online] ‘Whales: Votes for Aid.’ *The Phnom Penh Post*, March 3rd 2000. Available at <http://www.phnompenhpost.com/national/whales-votes-aid> (accessed 12.02.2015)

See: Roeun, Van. & Roynolds, Luke. [Online] ‘Gov’t Sided With Japan on Whaling Measure.’ *The Cambodia Daily*, October 18th 2004. Available at <https://www.cambodiadaily.com/archives/govt-sided-with-japan-on-whaling-measure-43331/> (accessed 12.02.2015)

⁵⁸⁷ MOFA [Online] *Joint Statement between Japan and the Kingdom of Cambodia*, November 17th 2013. Available at <http://www.mofa.go.jp/mofaj/files/000019646.pdf> (accessed 03.03.2015)

⁵⁸⁸ ASEAN [Online] *Chairman’s Statement of the 17th ASEAN-Japan Summit*, November 12th 2014. Available at http://www.asean.org/images/pdf/2014_upload/Chairmans_statement_of_17th_ASEAN-Japan_Summit.pdf (accessed 12.02.2015) (paragraphs seven and eight)

⁵⁸⁹ ASEAN [Online] *Chairman’s Statement of the 17th ASEAN-China Summit*, November 13th 2014. Available at http://www.asean.org/images/Chairmans_statement_of_17th_ASEAN-China_Summit.pdf (accessed 12.02.2015) (paragraph ten)

⁵⁹⁰ Embassy of Japan in Cambodia [Online] *Country Assistance Policy for Cambodia* (April 2012). Available at <http://www.kh.emb-japan.go.jp/economic/cooperation/Assistance%20Policy.pdf> (accessed 20.01.2014)

⁵⁹¹ Ministry of Public Works and Transport (Cambodia) (2013) ‘Data Collection Survey on the Trunk Road Network Planning for Strengthening of Connectivity through the Southern Economic Corridor: Final Report’. *JICA & Katahira & Engineers International*. [Online] <http://libopac.jica.go.jp/images/report/P1000009527.html> (accessed 10.03.2015)

8.2.2.1 Direct Influence

Direct influence emerges from Japan's ability to grant connectivity to Cambodia, however there are clear geo-political priorities in place. Japan's ODA funded road building exhibits the following characteristics (see below, fig K & L):

- To create the main transport artery across Cambodia, with highway 1 connecting Phnom Penh with Vietnam's HCMC, and highways 5 and 6 connecting Phnom Penh with Bangkok.
- Highways 1, 5 and 6 are not only the key transport artery but also the largest and best protected from flood damage, restricting other actors to investing in tributary roads
- Japan often works in consortium with ADB and World Bank multilateral donors, parcelling up entire road projects into individual sections for completion by Japanese contractors.
- There is no road level project coordination with China but there is with Korea, in addition to multilateral donors.⁵⁹²
- Japan's infrastructure investments fall perfectly in-line with broader level Asian highway plans (Asian Highway 1, but also partially Asian Highway 11), which in themselves also fall in line with the GMS defined 'South-South/Coastal Economic Corridor'.⁵⁹³

There are clear geo-political rivalries at play among Cambodia's foreign road builders. While Japan focuses on east-west connectivity within the southern economic corridor, lower level Korean investment has tended to follow Japan's lead, working within multilateral joint projects with the ADB and World Bank, and centred on southern roads (2, 3 and 33) that branch down into Cambodia's southern most sea facing port area before Vietnam. The US and Australia have joint funded a prime piece of track stretching from Phnom Penh to Cambodia's only deep sea water port - Sihanoukville. However, it is China's road building that garners the most attention. China's behaviour in this area is distinct from other donors and exhibits clear strategic trends:

- China largely builds roads alone, even on extremely long stretches. Already mentioned is the case of north-south road 7, however joint road project cooperation was necessary here because road 7 is the main artery of the Asian Highway 11 that cuts vertically through Cambodia into China. Since it is part of this international and regional strategy, Japanese, ADB and World Bank funding also is directed to it.
- There is a clear patterning of northern roads invested in. That is, any that connects through Laos but not through Thailand or Vietnam.
- These roads do not accord with Asian Highway, ASEAN highway or GMS road strategies, and since they are largely channelled through Laos, China's interest in Cambodia's roads appears bilateral and narrowly national interest focused.

Along with roads come bridges to cross-river blocks and tunnels to cross-mountain blocks, and both Japanese and Chinese donor profiles divide their allocations between road and, more often in Cambodia's case bridges. Given cute and friendly names, in January 2015 Cambodia's longest cross-Mekong River Bridge was completed with Japanese aid - the Neak Loeng Bridge, or 'Tsubasa Bridge' (Wing Bridge). So politicised are these investments that Cambodia's leader issued especially printed riel bank notes as a diplomatic gesture, with one side displaying king Sihanouk and the other displaying two Japan ODA funded bridges - the Tsubasa Bridge and the Kizuna, or 'Bond' Bridge. This region wide inter-connectivity is also serving to not only create cross regional ties, but is also globalising the regional nodal points - the cross border towns - that serve as transnational bridging locations across nation-states. In Cambodia's case this is especially the case in the East with the border of Bavet (that bridges Cambodia's Svay Rieng province and Vietnam's Moc Bai province) and in the West with Poipet (that bridges Cambodia's Banteay Meanchey province and Thailand's Sa Kaeo province). Due to this greater connectivity, these border towns are becoming key sites for hegemon's investment and both the

⁵⁹² One mixed example does exist, in the north-south oriented road 7, however China's involvement came only after joint Japan/ADB sections had been completed in 2004 (and so can be considered two separate albeit large scale roads).

⁵⁹³ There is also an ASEAN highway road in Cambodia that is also part of the southern coastal corridor, however this is divided between road 4 (US and Australia investment) and road 48 (Thailand investment).

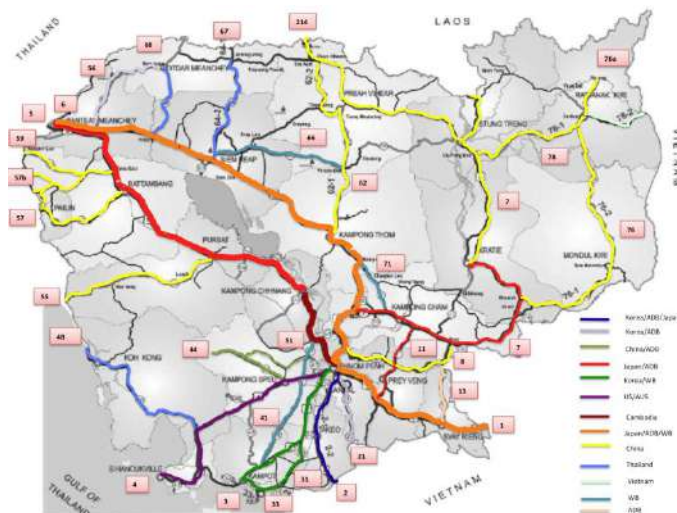
Bavet - Moc Bai border point and the Poipet - Aranyprathet border point are regarded by all of the Japanese interviewees for this study as crucial to Japan's future investment strategies.

8.2.2.2 Indirect Influence

This material, relational power over the development of Cambodia's transport network provides Japan's private sector actors with the ability to better 'sell' themselves when in competition with China's investments. Chinese infrastructure is generally acknowledged to be of a poorer quality and more likely to falter than Japanese infrastructure in times of flood. This gives Japanese companies the ability to bid for contracts using the 'value rather than price' argument outlined in the previous chapter on Vietnam. The GMS program and its main agents - the ADB and Japan - provide to Japanese infrastructure companies legitimation but they also gain from the informational sharing that occurs between Japan state and Japan private sector, allowing them to dominate the infrastructure provision market. The perception of strength in communication based infrastructure also creates spillover multiplier effects into other Japanese engineering strengths such as bridges and tunnels, but also provides them with the credibility to attempt alternate sector infrastructure such as energy projects.

When plans for Cambodia are overlaid onto broader regional plans, Japan's structural power becomes even more evident. With highways 5 and 6 crossing Cambodia East to West, the Bangkok Plus One production chain can extend spokes down into Cambodia to Poipet, Koh Konh, Phnom Penh and further south-east into Ho Chi Minh City, Vietnam; all of which track perfectly with the GMS south-south economic corridor (see below, fig K & L). With the ASEAN Vision 2020 plan agreed in 1997, the GMS becomes integral to the development of the 'trans-ASEAN transportation network', and Japan is currently in the process of planning the expansion of its infrastructure, beginning with its Cambodia-Vietnam link along Highway 1. The micro-level impact of such macro-level planning does not concern JICA official in Cambodia; neither for the impact of people (land clearances) nor the political ramifications (land clearances being a rallying cry for the political opposition in Cambodia). When a senior JICA official was questioned about the re-settlement issues associated with this, the reply was: "Largely people are happy with the road. There were people who lived by the side of some roads, and when we expand them they must move. But they largely understand I think".⁵⁹⁴

Fig. K Cambodia's Road Network by Donor



Source: author (compiled from various sources)

⁵⁹⁴ Interview with interviewee 13

Fig. L Asian Highways in Cambodia



8.2.3 Production

Cambodia has barely any native productive ability and depends of foreign economic forces to provide it. For the period between 1994-2012 Japanese companies rank twelfth among foreign nation investors, with total fixed assets of \$367 million compared to the \$9.2 billion of the number one investor China or the \$4.3 billion of the second highest investor Korea. Relative to total foreign investment that is 0.9 per cent, 21 per cent and 10 per cent respectively (see table 8.1). This stands in stark contrast to the \$2.3 billion delivered in ODA by the Japanese state for the same period. This caution on the part of Japan's private sector is for a number of reasons. Endogenous concerns to the companies, i.e. not seeing any competitive advantage of locating in Cambodia, are in descending order: (1) wage increases, (2) difficulty in local procurement of raw materials and parts, (3) quality of employees, (4) power shortages and blackouts, and (5) difficulty of recruiting middle management,⁵⁹⁶ with procurement of raw materials and parts, and the poor education and motivation levels of the local labour force, being particular issues.⁵⁹⁷

Instead, what is emerging in productive terms is what may be characterised as 're-cycled production'. That is, Japanese companies use of Cambodia as one-step in a productive process that is essentially happening elsewhere. An example of this is Japanese food flavouring company 'Ajinomoto'. Based in Thailand where spices will be sourced, the spices will be transported to Cambodia for simple packaging and then re-imported back into Thailand for export.⁵⁹⁸ Another example is Japanese manga comic books. Old and used copies are collected from closed down manga/internet cafes in Japan, sent to Cambodia where they are brushed with oil and have their sales stickers removed, then re-imported to Japan for newly established manga/internet cafes.⁵⁹⁹ However, this role of Cambodia within Japanese production as the recycling backup of higher-level production elsewhere may be becoming more important. Strikes in Vietnam and China in 2010, in addition to rising wages and inflationary issues in both countries; political instability coupled with flooding in Bangkok during 2011; and worsening political relations with China from 2012 prompting the development of a 'Vietnam plus One' strategy based from Hanoi, together potentially position Cambodia in a stronger back-up, risk management position within Japanese GMS level production. The decision by machinery and electronic manufacturer Minebea to begin manufacturing operations in Cambodia in 2010 was noteworthy, and the most recent JETRO survey of Japanese companies abroad reveals Japanese

⁵⁹⁵ Ministry of Public Works and Transport (Cambodia) [Online] 'Asian Highway Status and its Implementation in Cambodia'. United Nations *Economic and Social Commission for Asia and the Pacific (UNESCAP)*. Available at http://www.unescap.org/sites/default/files/Cambodia_0.pdf (accessed 10.03.2015), p16

⁵⁹⁶ *ibid*, JETRO (2014), p36

⁵⁹⁷ *ibid*, JETRO (2014), p46. These survey results were also confirmed from multiple testimonials in Cambodia during field research in the summer of 2014.

⁵⁹⁸ Interview with interviewee 14

⁵⁹⁹ Sasaki, Manabu. [Online] 'Used Japanese comic books refurbished in Cambodia, get new life back home', *Asahi Shinbun*, October 24th 2014. Available at http://ajw.asahi.com/article/behind_news/social_affairs/AJ201410240007 (accessed 10.01.2015)

company migration to Cambodia beginning only around 2006 with a large increase recently from 2011 with Cambodia topping the list of Asia-Pacific countries where company expansion is expected.⁶⁰⁰

8.2.3.1 Direct Influence

The low level of investment in Cambodia does not grant to any one Japanese corporation the sort of direct influence that for example Toyota has in Thailand or Nissho Iwai has in Vietnam. Nevertheless, business friendly JICA officials are active within Cambodia's ministries (see below) and Japanese companies are the only nation's producers to have a Japan Desk to turn to within the Cambodia's powerful Cambodia Investment Board (CIB). These open up extra channels of influence mid-way between standard business council advocacy and state-to-state bargaining. However just as in Vietnam, Japan's 2007 International Investment Treaty (IIT) with Cambodia reveals the interplay between material and institutional power. In it are specially crafted provisions by the Japanese state to aid Japanese companies gain greater access within the kingdom.

The Japan-Cambodia International Investment Treaty (IIT) is far longer than other country's similar treaties with Cambodia. At twenty-seven articles, it is far longer than the next country's, Singapore, which contains only sixteen articles; and country's investment treaties average only twelve to fourteen articles long. The reason for the extra length in Japan's IIT is its complexity; designed to provide Japanese producers with extra institutional powers. The IIT contains a special clause - article 27 - that stipulates the creation of 'The Committee',⁶⁰¹ and such a clause is not found in other country's IITs.⁶⁰² The Committee is an institutional mechanism, granted by the Cambodian regime due to Japan's material power, that is a resolution mechanism of a complex set of inclusion/exclusion arrangements within the treaty.⁶⁰³ Essentially it allows The Committee -which is attended by chief diplomats of both nations, sub-state entities such as JICA or JETRO, the head of the Japan Business Council, in addition to any interested investing actors - to meet every six months and re-interpret parts of the product and sectorial annex list. The treaty creates a standard normative commitment on the part of Cambodia to treat Japanese companies as judicially equal to domestic companies (similar to other country's IITs) but gives Japan through The Committee the ability to apply political influence to give Japanese companies opt outs of clauses of the annex or to challenge Cambodian companies encroaching in a 'non-conforming sector' of Japanese investment. This is pure hegemony in operation as the regime has provided to Japan special politico-economic institutional access to not only apply flexibility to Japanese companies than Cambodian companies cannot enjoy, but also potentially provides a backdoor route to challenging Cambodia's SOEs in sectors of Japanese interest.

8.2.3.2 Indirect Influence

Direct productive power or, the ability for a state to use or work in consort with its TNCs to affect change in the pursuit of foreign policy goals is evident in relation to Cambodia, even despite low overall levels of investment. The lack of interest by Japan's private sector in investing in Cambodia has, since around 2005, been taken up by the Japanese state that has begun to work in closer consort with its private sector actors already present in Cambodia. One

⁶⁰⁰ JETRO (2014) *Survey of Japanese-Affiliated Firms in Asia and Oceania* (December 2014). Available at http://www.jetro.go.jp/en/reports/survey/pdf/2015_01_biz.pdf (accessed 02.03.2015)

⁶⁰¹ See: MOFA [Online] *Agreement between Japan and the Kingdom of Cambodia for the Liberalisation, Promotion and Protection of Investment*. Available at <http://www.mofa.go.jp/policy/treaty/submit/session169/agree-3-1.pdf> (accessed 12.03.2015)

⁶⁰² For a complete collection see: UNTAD [Online] *Investment Policy Hub: Cambodia*. Available at <http://investmentpolicyhub.unctad.org/IIA/CountryBits/33> (accessed 12.03.2015)

⁶⁰³ Article 23 creates 'The Committee', and one of its main functions is to review article 7 (paragraphs 1 and 2), which relate to 'exceptional measures'. Article 7 exists to stipulate what articles 2, 3 and 6 shall *not* be applied to, with these articles being standard clauses on equality between investors, ensuring that Japanese companies would not experience any preferential treatment towards either domestic or other foreign investors (article 2 refers to equality of establishment, management and growth; article 3 refers to equality of treatment with respect to investment activities; and article 6 refers to the right not have any targets, quotas or production volumes applied to them). Article 7 defines what the equality of investment clauses should not be applied to as any 'non-conforming measures' found in Annex I & II. Annex I and II then goes on to list a series of sectors and sub-sectors, defined by the Japan Standard Industrial Classification system, JSIC (rather than the internationally recognised SITC or HS systems), and includes many wide ranging activities from agriculture to banking.

means is to work with them to learn which parts of Cambodia's laws may need changing. The national legal framework for investment in Cambodia is comprised mainly of first, the 1994 'Law on Investment' that established the framework for a free market economy,⁶⁰⁴ followed by the 2003 revision, the 'Law on Investment of the Kingdom of Cambodia' (see below, table L). Each law has been heavily influenced by Japan and other donors pushing for marketisation in Cambodia and have turned the kingdom into a neo-liberal production base where the Cambodian offers near zero self-benefiting incentives for foreign producers to come to Cambodia.

Table. L Comparison of Cambodia's Investment Laws

| <i>1994 Investment Law</i> | <i>2003 Investment Law</i> |
|--|---|
| * Corporate tax - 9% | * Corporate tax - 20% |
| * Tax holiday - 8 years | * Trigger period (first year of profit or three years after first revenue) + three years (following trigger period) + priority period |
| * Repatriation of profits - tax free | * Repatriation of profits - subject to withholding tax |
| * Re-investment of earnings - tax free | * Re-investment of earnings - special depreciation |
| * Imports of capital and intermediate goods - tax free | * Imports of capital and intermediate goods - tax free |
| * Export tax - none | * Export tax - none |
| * Licensing - evaluation and approval | * Licensing - simple registration |

Source: Cuyvers, *et al* (2009)⁶⁰⁵

Since 2005 and within the context of low private sector investment in Cambodia in addition to being motivated to encourage SME's in Japan to expand abroad, JICA's business friendly orientation has brought about a series of technical cooperation projects that aim to 'support' investment in Cambodia: (1) the Study on Economic Policy Support in the Kingdom of Cambodia (2005-2007); (2) the Study on the Institutional Strengthening of Investment Promotion in Cambodia (2009-2010); (3) the Project to Enhance Investment-related Services (2010-2013); and (4) Dispatch of JICA Experts (2007-2009 and 2009-2013).⁶⁰⁶ These efforts are less 'support' and more accurately refer to 'change'. Interviews with the JICA officials for this research have revealed that they are unhappy with the 2003 investment law and are working behind the scenes with the CDC - the body in Cambodia that grants QIPs - to amend it.⁶⁰⁷

Next came the need to manufacture the necessary components of production - a legal investment identity and the special economic zone (SEZ). In 2005, sub-decree 111 was put into force - 'Implementation of the Law on the Amendment to the Law on Investment' - which details the rights and benefits for investors in 'qualified investment projects' (QIPs), the approval needed that gives foreign investors equal footing to Cambodian investors.⁶⁰⁸ Evidence of a common pattern across the Mekong countries, QIPs are the Cambodian equivalent of Vietnam's Export Processing Enterprises (EPEs), granting to any actor with the status (usually a foreign investor) special allowances over ordinary manufacturing company licenses. In addition, in 2005 came sub-decree 148 - 'Establishment and Management of the Special Economic Zone',

⁶⁰⁴ The 1994 law's main features are: low company registration time (45 days), equal treatment among investors, assurances against nationalisation, no price controls, free transfers of funds, investment incentives and the definition of 'qualified investment projects'

⁶⁰⁵ Cuyvers, Ludo., Soeng, Reth. & Bulke, Daniel, V. D. (2009) 'The Competition Position of a Developing Economy: the Role of Foreign Investment in Cambodia.' In Bulke, Daniel, V. D., Verbeke, Alain. & Yuan, Wenlong (eds.) *Handbook on Small Nations in the Global Economy: The Contribution of Multinational Enterprises to National Economic Success*. Cheltenham and Massachusetts: Edward Elgar Publishing

⁶⁰⁶ Imamura, Yuji. [Online] 'Cambodia's Investment Environment and the Current Status of and Challenges Facing Japanese Companies in Cambodia'. *The Mekong Region and Japan Part 9: Cambodia (3) Series*. Institute for International Studies and Training, December 27th 2012. Available at <http://www.iist.or.jp/en-m/2012/0214-0874/> (accessed 12.03.2015)

⁶⁰⁷ Interview with interviewee 12 & 13

⁶⁰⁸ See: JICA [Online] *Sub-Decree No.111 on the Implementation of the Amendment to the Law on Investment*. Available at http://www.jica.go.jp/cambodia/english/office/topics/pdf/15_Appendix-3.pdf (accessed 12.03.2015)

creating the framework for the creation of manufacturing oriented SEZs.⁶⁰⁹ These have again been the product of foreign political assistance and are meant to create a new economic architecture to allow Cambodia to be integrated into global production chains.

Since the 2005 law amendment, thirty-two SEZs have been approved in Cambodia with another twenty soon to arrive. Japan's overall investment may be low, but Japanese investment in SEZ's is number one. In 2013, the number of Japanese funded SEZs totalled seventeen with investment capital of \$64 million, compared to the same number of Chinese funded SEZs, but with \$51 million invested.⁶¹⁰ This structural facilitation of production, 'legitimised' through SEZ parks rather than open free market marks out a stable characteristic of Japanese corporate behaviour - the preference to remain together within institutional and normative groupings with other Japanese companies. This helps to explain why registered investment since the 1990s has been relatively low compared to other nations but also why since 2005 and the legitimisation of SEZs, Japanese investment has grown sharply. Rather than have a state driven program creating a small number of well coordinated and connected parks, such as took place in China as a means of safely managing capitalism within an overall communist system, in Cambodia the regime has pursued a licensing approach, providing these licenses to well-connected actors who benefit from the out of view nature of the corruption that exists there, resulting in a large number of poor infrastructure provided SEZs.⁶¹¹ Similar to Vietnam through, there are levels of SEZs and Japanese companies want the best; their creation negotiated at the highest levels. The largest park is Phnom Penh SEZ - operated by the Japanese owned Phnom Penh Special Economic Zone Co. Ltd. and managed by Uematsu Hiroshi; Phnom Penh SEZ is where parts giant Minebea located to in 2010.

The benefit for Japan of working within these pockets of specialised production is to balance the appearance of political probity, with the necessity of dealing with a common economic deceit in Cambodia - widespread and ingrained corruption. SEZs in Cambodia should not be viewed out of context from the Mekong countries collectively. On site is one of the much vaunted production institutions across the development Mekong countries - One Stop Service Centres (OSSC); SEZs in Vietnam and Laos also have them and are promoted in the country's sales literature. It is within centres that the corruption can be handled out of view. An SEZ acts as an intermediary between international investor and national government with its national labour supply. The OSSC is the bridge between the two, and Cambodian ministry representatives are each located within the park. The OSSC handles all paperwork and mediation between companies (in Phnom Penh SEZ mostly Japanese) and the ministry representatives, who handle licenses and permissions. It is upon this bridge that the corruption takes place, as the OSSC pays the on-site ministry bribes, with the companies paying the invoices created by the OSSC with misnomer billing such as 'administration charges'.⁶¹² Incidentally, the most corrupt ministry in Cambodia is customs, which the OSSC has to pay on a daily basis. Within such a mechanism, Japanese companies have discovered a unique way to sidestep the ethical issues with such corrupt practices by outsourcing responsibility to the One Stop Service Centre.

8.2.4 Trade

A number of features mark out Cambodia's trade patterns. First, and for obvious reasons, international trade has been sporadic, and for extended periods of Cambodia's history not possible at all. Second, significant volumes of international trade only began from the post-UNTAC intervention and while volumes have increased, Cambodia's trade has been in an almost permanent trade deficit with the world economy. Third, Cambodia's trade partners prior to and after Cambodia's genocide are distinctly different. Fourth, the current structure of

⁶⁰⁹ JICA [Online] *Sub-Decree No. 148 on the Establishment and Management of the Special Economic Zone*. Available at http://www.jica.go.jp/cambodia/english/office/topics/pdf/17_Appendix-5.pdf (accessed 12.03.2015)

⁶¹⁰ JETRO [Online] *World Report: Cambodia*. Available at <https://www.jetro.go.jp/world/gtir/2014/pdf/2014-kh.pdf> (accessed 12.03.2015)

⁶¹¹ Penh Pal [Online] *Cambodia's Special Economic Zones*, February 22nd 2011. Available at <http://penhpal.com/business/cambodias-special-economic-zones/> (accessed 10.02.2015)

⁶¹² Interview with interviewee 14

Cambodia's trade partner patterns demonstrates it is positioning within a global economy centred on exports from East Asia and imports to the West, but with a definite drift towards East Asia. Finally, trade is dominated by a narrow sectorial profile, of garments and what was described previously as the 're-cycling production'.

Prior to the Vietnam War and Cambodia's genocide, trade increased from eighty-one million dollars in 1955 to one hundred and eighty-four million dollars a decade later. Imports exceeding exports every year, trade virtually stopped during this bloody time. As can be seen in fig 8.6, after the UNTAC intervention, volumes of trade began to increase however for the period between 1992-2000 Cambodia's trade balance went into huge deficit; indicative of the high volumes of imports entering the country. Currently Cambodia's WTO merchandise trade ranking is 97th for exports and 88th for imports (compared to Vietnam's 34th and 32nd respectively) and services ranking is 93rd for exports and 115th for imports (compared to Vietnam's 54th for both); Cambodia's share of global merchandise markets is 0.7 per cent and 0.2 per cent of global commercial services. Referring to table 8.5, during Cambodia's early independence phase, exports and imports were heavily connected to US or European economies, with Britain connected Singapore and Hong Kong also featuring highly. In the post-genocide period however, European economies have taken second place to the US exports and China for imports. Cambodia's top five export destination may be the US at twenty-six (\$2 trillion dollars) of total exports, but China dominates imports at 31 per cent (\$2.2 trillion dollars) with Vietnam, Thailand, Hong Kong and South Korea in descending succession; Japan is Cambodia's seventh highest export and import partner.⁶¹³ Imports are overwhelmingly of fabrics and fibres, all coming from Mainland China, Hong Kong or Taipei; indicative of the Cambodia's garment driven growth being the result of the China focused 'bamboo network' rather than native entrepreneurship.

Japan's trade with Cambodia represents a more differentiated picture than the fabrics-garments recycling nature of China-Cambodia trade. Cambodia's largest export to Japan is indeed garments, however Japan's largest exports to Cambodia are vehicles, machinery and electrical equipment (see table 8.4). This hints at a distinct difference between China's and Japan's interests in Cambodia, with China utilising trade in a cyclical fashion but with Japan operating only unilaterally, from an established structure of existing regional economic priorities, i.e.: focused upon Thailand Plus One centred production chains.

8.2.4.1 Direct Influence

Unlike Thailand and Vietnam, Japan does not possess an Economic Partnership Agreement with Cambodia, with trade terms being dictated through the Japan-ASEAN FTA. However, key to ASEAN's future integrity is for it to be actively trading with Cambodia. In the early part of the of the millennial decade, Cambodia and the CLV (CLMV if Myanmar is included) were felt by Japan to be lagging behind integration efforts and so special effort was made to pin them together into micro-regional growth triangles; an extension of the regional growth triangle idea that is the GMS, but focused sub-nationally downwards. The propagation of the concept, and subsequent funding from 2004 and the Koizumi administration, demonstrates Japan's directed ability to create new trade arrangements that serve the larger GMS (and ASEAN project).

Also important here is Japan's prompting of a growth of border towns and cross-border trade. Cambodia's lengthy borders that rub up against three of the GMS economies provide scope for a number of entry and exit points for developing trade connectivity. On the Thai side of Cambodia is the Poipet-Aranya Prathet border crossing, the end point of the Japan/ADB built highway no. 5. Trade at this point is the most important for Cambodia, with 45 per cent of imports and 14 per cent of exports channelled through it.⁶¹⁴ The second most important is the Bavet-Moc Bai border crossing, residing at the end of the Japan/ADB constructed highway no.

⁶¹³ Michigan State University [Online] *Cambodia: Trade Statistics*. Available at <http://globaledege.msu.edu/countries/cambodia/tradestats> (accessed 10.03.2015)

⁶¹⁴ Yagura, Kenjiro. (2013) 'Cambodia: The Economic Potential of the Thai Border Areas'. In Ishida, Masami (ed.) *Border Economies in the Greater Mekong Sub-region*. Tokyo: IDE, JETRO

1. Both border towns, positioned at each end of the cross-Cambodia highways 1 and 5, sit comfortably along Japan's 'southern economic corridor' conceptual framework, which in itself sits within the Japan supported Asian Highway within Cambodia. At present trade at these border towns is restricted by national prejudices and politics, the result being that shipments have to be unloaded on one side of a border and then reloaded on the other country's side of the border. However together with the ADB Japan is working to create 'trade facilitation' with the 2008 Cross-Border Trade Agreement (CBTA),⁶¹⁵ and is a priority of the ADB's GMS Working Group on Transport. It is a priority for Japan and the ADB because it is a priority to Japan's private sector, and in a recent JETRO's regional business survey 'simplified customs clearance' and 'mutual duty exemption among CLMV' were given by respondents as the most important necessities for better ASEAN integration in relation to Cambodia.⁶¹⁶

8.2.4.2 Indirect Influence

Since no bilateral trade treaty exists between Japan and Cambodia, it is through indirect influence that Japan must influence Cambodia by either (1) guiding the direction of ASEAN or (2) guiding Cambodia's joining of other forms of trade bloc.

On the first, Japan has long encouraged the ASEAN Free Trade Area, which commits Cambodia to reduce tariffs to around 5 per cent, and is the precursor to full removal with the ASEAN Economic Community by 2015; a target that Cambodia is unlikely to meet.⁶¹⁷ In parallel with encouraging a regional trade regime, Cambodia is able to access bilateral trade arrangements with Japan through the ASEAN-Japan Comprehensive Economic Partnership Agreement (2008), itself a reaction to the 2002 initiated ASEAN-China Free Trade Area. Japan's bilateral agreement follows closely the WTO's multilateral commitments, and commits to near complete customs duty reductions by 2023; it has become a competition of Northeast Asian-ASEAN free trade zones.

On the second, and related to the above final point, is the work being done to align Cambodia with a multi-layered, multilateral trade regimes (see below, table M). Already having supported Cambodia's bid 2004 joining of the WTO, Cambodia is nonetheless late to the global trade regime and is joining at a time of heightened tensions over which trade regimes, and which trade regime's managers, will be accepted. Crucial is a series of pan-regional trade regimes currently in negotiation. The Regional Comprehensive Economic Partnership (RCEP) that seeks zero tariff trade through cementing ASEAN's existing bilateral free trade arrangements (FTAs) into one collective grouping; the Trans Pacific Partnership (TPP); or the Free-Trade Area of the Asia Pacific (FTAAP). The RCEP would likely maintain political decision-making within ASEAN as it is based on existing arrangements, however the world's trading hegemony are pushing for wider free trade deals, with the US supporting the TPP but China supporting the FTAAP. As a transnational elite of global trade managers negotiates these rules far above the heads of the Cambodian people, Japan transmits indirect trade influence through the 2005 WTO 'Aid for Trade' (Aft) scheme, in addition to promoting the 'GMS marketplace' idea to cajole Cambodia to the multilateral side. However given that Cambodia's meeting of AEC 2015 tariff reduction targets is not going to be met, and in addition the simple day to difficulty for Cambodia's under-funded bureaucracy of handling and translating so much paperwork from so many trade rule regimes;⁶¹⁸ regional and pan-regional oriented trade hegemony may be overly optimistic for Cambodia at present.

⁶¹⁵ Formerly known as 'The Agreement between and among the Governments of the Kingdom of Cambodia, the People's Republic of China, the Lao People's Democratic Republic, the Union of Myanmar, the Kingdom of Thailand, and the Socialist Republic of Viet Nam for the Facilitation of Cross-Border Transport of Goods and People'.

⁶¹⁶ *ibid.*, JETRO (2014)

⁶¹⁷ Hunt, Luke. [Online] 'Cambodia Leads Doubts Over AEC'. *The Diplomat*, April 7th 2014. Available at <http://thediplomat.com/2014/04/cambodia-leads-doubts-over-aec/> (accessed 16.03.2015)

⁶¹⁸ Sophal, Chan. & Strange, Larry. (2012) 'Achieving the AEC by 2015: Challenges for Cambodia and its Businesses'. In Das, Sanchita, B. (ed.) *Achieving the ASEAN Economic Community 2015: Challenges for Member Countries and Businesses*. Singapore: Institute of Southeast Asian Studies

Table. M Cambodia's Multi-layered Potential Trade and Tariff Regimes

| | |
|--|--|
| Global ⁶¹⁹ <i>Status: established</i> | * WTO (2004 joined) - All goods (2012 applied): bound (19.1%), applied (10.9%) Agriculture: bound (28.2%), applied (15.2%) Non-agriculture: bound (17.8%), applied (10.3%) |
| Pan-Regional <i>Status: negotiating</i> | * Trans Pacific Partnership (TPP) (US backed) ⁶²⁰ - 0% tariffs <i>OR</i> * Free-Trade Area of the Asia Pacific (FTAAP) (China backed) <i>OR</i> * Regional Comprehensive Economic Partnership (RCEP) ⁶²¹ - 0% tariffs |
| Regional (Southeast Asia) ⁶²² <i>Status: in transition</i> | * ASEAN Free Trade Area (AFTA), Common Effective Preferential Tariff (CEPT) (1992, Cambodia grandfather clause - 2010) - 66% of tariffs currently reduced to 0-5% * ASEAN Economic Community (AEC) (due 2015, Cambodia grandfather clause - 2017) - 0% tariffs (Cambodia grandfather clause - 2017) |
| Sub-regional <i>Status: in transition</i> | Greater Mekong Sub-region (GMS) and 'Economic Corridors' |
| Regional-Bilateral ⁶²³ <i>Status: in transition</i> | ASEAN-Japan Comprehensive Economic Partnership Agreement (2008, in effect in Cambodia 2009) - Reduce 40% of customs tariffs to 5% by 2021, and eliminate 90% by 2023 |

Source: author

8.2.5 Energy

Sharing Vietnam's ambitious development trajectory, Cambodia's elite desire to become an upper-middle income country by 2030 and a high-income country by 2050. This will demand a great deal of energy that at present, Cambodia cannot supply due to decades of devastation. As a developing country, Cambodia's energy economy is at the primary resource level and has not graduated into the hydrocarbon economy yet. As can be seen from fig 8.7, Cambodia's energy balance for the period 1995-2012 has been in surplus however is heavily reliant on 'biofuels' and 'renewables' (renewables meaning in Cambodia's case, 'biomass', referring largely to wood). 86 per cent of energy in Cambodia comes from these two sources, with oil representing a distant 12 per cent (see table 8.6). Electricity as part of the energy mix is negative, and Cambodia lacks a productive (both physical resources and refining abilities are low or non-existent) and distributive capacity (the country has no national grid and only 20 per cent of Cambodians have regular access to electricity).

As with most areas of the kingdom's economy, Cambodia is reliant on outside actors, importing energy from its Mekong neighbours, either directly in the form of electricity where a transmission system exists or indirectly through the import of diesel to power Cambodia's

⁶¹⁹ WTO [Online] *Cambodia: Country Profile*. Available at

<http://stat.wto.org/CountryProfile/WSDBCountryPFView.aspx?Language=E&Country=KH> (accessed 16.03.2015)

⁶²⁰ ASEAN plus Pacific Rim (ASEAN plus US, Singapore, Brunei, Malaysia, Vietnam, Japan, Peru, Canada, Mexico, Chile, Australia, New Zealand and Taiwan)

⁶²¹ ASEAN plus Six ASEAN-Bilateral FTAs collectively (India, Australia, New Zealand, China, Japan, South Korea)

⁶²² ASEAN [Online] *ASEAN Free Trade Area*. Available at <http://www.asean.org/communities/asean-economic-community/category/asean-free-trade-area-afta-council> (accessed 16.03.2015); Chia, Siow, Y. (2013) 'The ASEAN Economic Community: Progress, Challenges, and Prospects'. *Asian Development Bank Institute*, No. 440. Available at

<http://www.adbi.org/files/2013.10.25.wp440.asean.economic.community.progress.challenges.pdf> (accessed 16.03.2015), p16

⁶²³ MOFA [Online] *Agreement on Comprehensive Economic Partnership among Japan and Member States of the Association Of Southeast Asian Nations, Annex 1: Schedules for the Elimination on Reduction of Customs Duties, Section 1: Notes for Schedule of the Kingdom of Cambodia*. Available at <http://www.mofa.go.jp/policy/economy/fta/asean/part3.pdf> (accessed 16.03.2015)

twenty-four small-scale electrical power plants. This reliance on diesel from abroad for electricity generation not only exposes the kingdom to fluctuating diesel prices, but also presents the likelihood of supplies being cut entirely if prices exceed upper limits, producing the frequent occurrence even in the capital, of power cuts. Nine million people in Cambodia do not have access to electricity at all, representing 66 per cent of the population - the highest in ASEAN (electrification rates in Cambodia are 34 per cent), with 88 per cent of the population (thirteen million people) relying on biomass fuel for cooking - second only to Myanmar within ASEAN.⁶²⁴ Given the basic productive and distributive capacity, the Cambodian government's policy is the development of transmission lines in order to import energy from Thailand and Vietnam;⁶²⁵ but it is telling that not as much progress has been made on energy provision for the Cambodian people as has been made on re-constructing Cambodia's roads.

Cambodia is embracing the China supported norm of hydropower development along the Mekong River; according to ADB estimates, Cambodia possesses 4 per cent of total GMS hydropower potential (see below, table N). Referring to fig 8.8, Cambodia's traditionally high use of diesel for electricity production (85%-90%) has from 2011 begun to drastically decline in negative correlation with the rise of hydropower for electricity generation (as of 2013 hydro generates 57 per cent of Cambodia's domestically generated electricity). A major development proposal is the mainstream (as opposed to tributary) Mekong river dam of Don Sahong Dam, just two kilometres on the Laos side of the Cambodia-Laos border that is China backed, as is the risk posed by the China back dam project at Stung Cheay Areng, that would flood sacred land in Cambodia and displace 1,500 people. Most of Cambodia's hydropower dams are in the country's northeast east quadrant that runs along Laos's southern border where China's hydro investments are high,⁶²⁶ although the quality of transmission lines is lower than those along the southern corridor with Thailand and Vietnam.

Table. N The GMS Energy Potential of Cambodia

| | Overall GMS potential | Cambodia's potential | Cambodia's % of GMS |
|-----------------------|------------------------------|-----------------------------|----------------------------|
| Hydro (MW) | 229,031 | 9,703 | 4 |
| Coal (million tonnes) | 28,065 | 10 | 0.03 |

Source: ADB (2012)⁶²⁷

There are a number of concerns with regards to energy that Cambodia cases. The first is a need to balance energy security with food security. Benefiting from its downstream position on the Mekong River and the natural drift of silt alongside fish migration, Cambodia's Mekong waters and the agriculture and bio-cultures they support are rich and fertile. Fish comprise a major resource for the Cambodian people. 23 per cent of lower Mekong region fish catch is consumed by the Cambodian people,⁶²⁸ comprising 70 per cent of the population's protein intake.⁶²⁹ However, greater pressures are being placed on the Mekong that mean between 1940 and 2003, catches per person have declined from 350kg to 200kg.⁶³⁰ This balancing of hydro-power with conservation runs to the heart of Cambodia's future political-economy; maintain the current

⁶²⁴ International Energy Agency (2013) *Southeast Asia Energy Outlook: World Energy Outlook Special Report*. Available at http://www.iea.org/publications/freepublications/publication/southeastasiaenergyoutlook_weo2013specialreport.pdf (accessed 17.03.2015)

⁶²⁵ Cambodia Investment Board (CIB) [Online] Infrastructure: Electricity. Available at <http://www.cambodiainvestment.gov.kh/investors-information/infrastructure/electricity.html> (accessed 10.03.2015)

⁶²⁶ Ritouch, Eav. [Online] 'Kingdom of Cambodia: Country Report Presentation'. *Institute of Energy Economics, Japan (IEE)*, May 2011. Available at <http://enen.iecej.or.jp/data/3840.pdf> (accessed 17.03.2014)

⁶²⁷ Asian Development Bank (2012) *Greater Mekong Subregion Power Trade and Interconnection: 2 Decades of Cooperation*. Available at <http://www.adb.org/sites/default/files/publication/29982/gms-power-trade-interconnection.pdf> (accessed 10.03.2015)

⁶²⁸ Hurtle, Kent. G. (2007) 'Consumption and the yield of fish and other aquatic animals from the Lower Mekong Basin.' *Mekong River Commission*, MRC Technical Paper No. 16. [Online] <http://www.mrcmekong.org/assets/Publications/technical/tech-No16-consumption-n-yield-of-fish.pdf> (accessed 20.02.2015)

⁶²⁹ Osborne, Milton. (2004) 'River at Risk: The Mekong and the Water Politics of China and Southeast Asia'. *Lowy Institute Paper 02*. [Online] http://www.lowyinstitute.org/files/pubfiles/Osborne%2C_River_at_risk_WEB.pdf (accessed 22.02.2015)

⁶³⁰ Osborne, Milton. (2009) 'The Mekong: River Under Threat.' *Lowy Institute Paper 27*. [Online] http://www.lowyinstitute.org/files/pubfiles/Osborne%2C_The_Mekong_WEB.pdf (accessed 22.02.2015), p11

status quo and protect fish (and rice production) or embrace hydropower for the purpose of energy production that could power greater industrialisation.

The second concern is the recent discovery of offshore oil and gas. Cambodia is separated into six offshore 'blocks' (A-F) and nineteen onshore blocks (1-19). Chevron discovered oil in 2004 and declared it commercially viable in 2010, however in 2014 sold their shares to Singaporean company KrisEnergy (but remaining on at board level). Other blocks have been licensed to a variety of global energy corporations, largely from East Asia countries including Japan.⁶³¹ The development of these natural resources, and a Cambodian petroleum refining capacity would greatly strengthen the position of the Cambodian regime. As Andrew Cock points, '...the interests of the ruling elite seem in synergy with the opaque practices of most of the commercial actors that are themselves to benefit from Cambodia's oil business.'⁶³²

8.2.5.1 Direct Influence

Japan's direct power along this dimension, i.e.: the ability to control consciously the energy supplies and generation capacity of other states, is limited. As noted previously, with only thirteen grant projects (compared to forty-one for transportation), the Japanese state since 1994 has sectorially prioritised transportation in Cambodia. This is likely for two reasons: first, the heavy involvement of China in Cambodia's energy systems and second, Japan's STEP based limitations on smaller grant aid as compared to the high levels of loan aid capital that are required for energy sector development. Early efforts in 1969 with the 'Prek Thnot Power and Irrigation Development Project' were not re-started as they were in Laos upon resumption of ODA relations. Where grant aid has been directed towards energy development it has largely focused on Phnom Penh, e.g.: the 'Project for Rehabilitation and Reconstruction of the Electricity Supply in Phnom Penh'. Loan aid projects have also been provided, but with far fewer frequency than that provided to for example Vietnam. JICA policy is now to encourage three things: importation of energy from neighbours (Vietnam and Thailand, less the case Laos); stable power in the centre (Phnom Penh) and greater access from the periphery (rural electrification); and in the future a regional power exchange across the Mekong.⁶³³ This belies the general approach to Cambodia that the Japanese state has - rather than focusing on bilateral dependence, attempt to integrate Cambodia further into Japan favoured GMS power structures.

8.2.5.2 Indirect Influence

Indirect power or, the size and shape of one actors position in global energy markets, can be found in the ADB's (and therefore Japan's) cooperation plans for the GMS, specifically the 'Greater Mekong Subregion Transmission Project'. Connectivity south to south between Cambodia-Thailand and Cambodia-Vietnam along the southern economic corridor, can already handle higher loads than the north-south transmission systems. As a net importer of energy, Cambodia has been importing from southern Vietnam since 2008, from Thailand since 2009, and from southern Laos since 2010; the only high voltage connection is from Chau Doc (Vietnam) to Phnom Penh.⁶³⁴ The GMS Transmission Project is one step on the way to improving energy connectivity within wider goals to create a 'Mekong Power Grid' that would itself fit into an 'ASEAN Power Grid'. Japan's limited ODA loans have been directed towards such endeavours, e.g.: Phnom Penh City Transmission and Distribution System Expansion Project' and the 'Greater Mekong Power Network Development Project'.

Trickling down from such a grid is the transmission line powering of those cross-trading sites of globalisation - Mekong border towns and SEZs - that are so favoured by Japan's producers.

⁶³¹ See: Open Development Cambodia [Online] *Briefings: Oil and Gas Blocks*. Available at <http://www.opendevelopmentcambodia.net/briefing/oil-and-gas-blocks/> (22.02.2015)

⁶³² Cock, Andrew. R. (2010) 'Anticipating an Oil Boom: The 'Resource Curse' Thesis in the Play of Cambodian Politics.' *Pacific Affairs*, Vol. 83, No. 3, pp.525-546

⁶³³ Hirata, Hitoshi. [Online] *JICA's Cooperation on Energy Sector in Cambodia*. Presentation at the 2nd East Asia Summit Energy Efficiency Conference, July 31st-August 1st 2012. Available at <http://www.eria.org/events/3.%20Mr.Hiroshi%20Hirata%20-%20JICA's%20Cooperation%20in%20The%20Energy%20Sector%20in%20Cambodia.pdf> (accessed 15.03.2015)

⁶³⁴ *ibid*, Asian Development Bank (2012)

From such a grid, and with such security of supply in place, Japanese companies are likely to then begin to swarm. Marubeni Corporation's decision in June 2014 to purchase a 20 per cent share of Malaysia's Leader Group, a Cambodia based electricity generation and transmission company, is indicative of this. In addition to such inter-country electricity connectivity is the potential for regional gas connectivity with the trans-ASEAN gas pipeline and Cambodia's southern Sihanoukville and Kampot areas are potential entry points for the pipeline. In sum however, Cambodia's attempts to upgrade its electricity generation from primary fuels towards more advanced sources such as hydrocarbons or hydropower, is only going to move the kingdom more towards China, and Japan's regionalisation agenda is going to in the future clash with China's un-restrained dam building hegemony.

8.2.6 Finance

Cambodia's financial system is unique. Firstly, years of war and changing political regimes have led to a high degree of fluctuating financial structures, switching back and forth as they have been liberalisers and communists, has resulted in a high decentralised system with lingeringly tenuous National Bank of Cambodia (NBC) control.⁶³⁵

Secondly, and concordant with its position within the transnational NGO community, the banking system is heavily populated by micro-finance institutions (MFIs) with many large commercial banks having begun as MFIs. Referring to table 8.7, 38 of Cambodia's 134 financial institutions (28 per cent) are MFIs, and if 'rural credit operators' are included, the total amounts to more than half of all Cambodian representing such small and local countryside based institutions; commercial banks (around a quarter of the total) are usually found in urban areas only. This is not only a reflection of Cambodia's historic reliance on NGO's but is also evidence of the patchily regulated nature of central financial authority. In 2012 the IMF had to advise Cambodia's central bank to stop providing licenses to new financial institutions as the sector was already weak and poorly coordinated, and when in February 2015 the NBC attempted to control the market further, by stipulating that MFIs needed to be officially recognised, over one hundred applications for registration rushed in.⁶³⁶

Thirdly, and again concordant with Cambodia's general historical position with the post-Cold War world order, the sector has been very dependent on outside finance and actors. Of Cambodia's largest four banks that represent almost three-quarters of market share: one was founded by Canadian Cambodian remittances to the NBC (Canadia Bank PLC), one began life as a micro-finance institution (MFI) and NGO that is 51 per cent Cambodian owned and 49 per cent owned by the IMF and various European banks (Acleda Bank), one is a subsidiary of the Malaysian Public Bank Group (Cambodian Public Bank), and one is a wholly foreign bank - ANZ - a banking consortium of Australian and New Zealand finance. 80 per cent of the money supply is in foreign currency deposits.⁶³⁷

Fourthly, it is a highly dollarised economy with effectively two currencies operating in tandem. Aside from daily life, the finance sector is heavily indebted to US dollars and is a situation that became more pronounced from 2007 when Cambodia's percentage of dollar denominated public and public guaranteed (PPG) debt doubled - and diametrically in opposition to other currencies - from 49 per cent of borrowing to 88 per cent (see fig 8.9)

⁶³⁵ The National Bank of Cambodia (NBC) was established in 1954, post French independence, however its role as either independent or state controlled has shifted back and forth between communist and liberalising regimes. The Khmer Rouge blew up the NBC as a symbol of capitalism and with it, the country's banking system. The Vietnamese re-started the kingdom's banking system in 1979 with the creation of the Bank of Cambodia, however upon their leaving and the international intervention of UNTAC, the first commercial bank - Cambodia Commercial Bank (CCB) - was created for serving UNTAC and the new liberalising agenda. In 2000 following the Asian Financial Crisis, Cambodia's highly decentralised system was consolidated through a central bank initiative that demanded higher levels of capitalisation, with twelve banks failing in the same year and five more two years later.

⁶³⁶ Muyhong, Chan. [Online] 'Unofficial lenders flock to the NBC seeking to be registered'. *The Phnom Penh Post*, February 19th 2015. Available at <http://m.phnompenhpost.com/unofficial-lenders-flock-nbc-seeking-be-registered> (accessed 19.03.2015)

⁶³⁷ National Bank of Cambodia (2013) *Annual Report 2013*. Available at http://www.nbc.org.kh/download_files/publication/annual_rep_eng/NBC_Annual_Report_%202013_ENG_ok.pdf (accessed 20.02.2015)

Finally, Cambodia's is largely a cash economy. According to the latest World Bank figures, bank deposits as a percentage of GDP have risen from 4 per cent in 1995 to only 32 per cent in 2011. In addition, the latest NBC survey finds that while the number of bank depositors has risen from 149,000 in 2004 to 1,266,000 in 2011,⁶³⁸ this represents only 12 per cent of the adult (above 15) population of 10.6 million. In sum, this is why this dimension of Japan's economic power is being presented last - because of the overall weakness of the banking sector and domestic capital accumulation in Cambodia. Current state financial policy is to work towards the 'Financial Sector Development Strategy 2011-2020', a framework that bears more than a passing similarity to the Japanese technical cooperation funded framework of the same name in Vietnam.

8.2.6.1 Direct Influence

Cambodia's public finances have been heavily dependent on aid and debt (see fig 8.1-8.3). In 1993 aid was virtually Cambodia's entire resource and aid World Bank still, as of the latest 2011 figures, accounts for 57 per cent of central government expenses. Japan is by far Cambodia's largest aid provider and between 1993 and 2012, this has totalled \$2.1 billion compared to the second largest aid provider - the US - that stands at \$970 million. In relation to finance, the Japanese state aims to engender consent with the creation of multiple channels of finance related 'person to person exchanges'. For example, from 2013 to 2016 JICA has been sponsoring a Masters degree scholarship in financial and macroeconomic management for interested National Bank of Cambodia staff.

However it is not only the Japanese state that is exercising direct influence in Cambodia, it is increasingly also Japan's private sector banks. Beginning in 2008 and with a regional focus in mind, Maruhan Bank entered Cambodia, Laos and Myanmar, becoming the first Japan-Cambodia joint venture bank, and in January 2015 merged with the profit oriented MFI Sathapana Limited, one of Cambodia's largest micro-finance banks. This trend towards Japanese private capital utilising Cambodia's micro-finance institutions in order to enter and expand into the kingdom has continued, with the launch of the MFI 'Oro Finance Corp' in June 2014 (jointly funded by Japan's Creed Asia Investment Ltd and Hong Kong capital/Cambodia based, Seng Enterprise Co Ltd). However the largest target of Japanese corporate interest is former NGO/MFI 'Acleda Bank', with financial services company Orix Corp buying a 6 per cent share in December 2013; SMBC's August 2014 announcement of its buy out of the World Bank International Finance Corporation's 12.25 per cent shares; and the signing of an agreement in September 2014 between card issuing JCB and Acleda Bank. Also of note is a peeking interest in remittance founded Canadia Bank, with Tokyo-Mitsubishi UFJ signing a memorandum of understanding in May 2013, in addition to Mizuho doing the same in September 2013, in addition to Maybank. This expansion of private Japanese capital is in contrast to the lack of penetration into Vietnam's strongly SOE dominated finance sector, and accords well with the notion that Cambodia, despite the Communist party origins of the ruling regime, has been re-constructed into a purely neo-liberal state that is open to all forms of capital no matter the debt obligations that result.

8.2.6.2 Indirect Influence

Japan's presence in the ADB is crucial to many of the GMS wide development plans that Cambodia's national policies are oriented towards and it is ADB, and by-proxy Japanese, finance that is driving many of these developments. Underpinning this material power is the creation of institutional and ideational power structures that make such developments appear natural and appealing. Institutionally, Japan has made multiple attempts at region wide financial arrangements that Cambodia would be expected to be a part of. Aside from membership of the ADB and ASEAN, there has also been the 2005 proposed 'Asian Monetary Unit' from Ogawa Eiji and Shimizu Junko; the 2010 Chiang Mai Initiative Multilateralisation (CMIM) to which

⁶³⁸ National Bank of Cambodia (2011) *Annual Supervision Report 2011*. Available at http://www.nbc.org.kh/download_files/supervision/sup_an_rep_eng/Annual_Supervision_Report_2011_ENG.pdf (accessed 20.02.2013)

Cambodia contributes 0.10 per cent (Japan's contribution is 38.4 per cent, as is China's); the 2010 creation of the currency monitoring ASEAN+3 Macroeconomic Research Office (AMRO); and the ASEAN+3 agreed Asian Bond Market Initiative (ABMI).

For the spreading of ideational financial power, networks for the coordination of transnational financial elites and organic intellectuals are created. Cambodia is a member of the South East Asian Central Banks (SEACEN) network and the Bank of Japan's Centre for Banking Studies conducts regular workshops and training seminars there. In addition there are a multitude of other layers of Japan-Cambodia/ASEAN ideational financial collaboration, from the ASEAN Central Bank Governors' Meetings (ACGM) to the Japan-Mekong Summits and their economics ministers twin track yearly meetings. Along these many tiers of collaboration, transnational relationships are forged and financial norms are inculcated. Given the staffing and analytical powers supporting Japanese finance officials at these meetings, the asymmetric financial power between the two parties does not exist in Cambodia's favour.

8.3 JAPAN, CAMBODIA, AND HEGEMONY II: INSTITUTIONAL POWER

8.3.1 Exogenous and Endogenous Institutional Influence

By far the most significant exogenous impact upon Cambodia's politico-economic institutions was the UNTAC intervention. Prior to 1989, Cambodia's economy was centrally controlled and hermetically sealed within a USSR/Vietnam-centric Communist bloc. Japan would change that, and Cambodia has helped to define what Japan's Cold War foreign relations towards Southeast Asia could be. In July 1988 the idea of Japan funding an international peacekeeping force was proposed to aid with Vietnam's withdrawal of Cambodia, and Prime Minister Takeshita's strengthening of the Fukuda Doctrine with his Manila Declaration (the 'Japan and ASEAN: A New Partnership towards Peace and Prosperity' speech and further establishment of a 'Japan-ASEAN Development Fund') indicated that by encouraging economic collaboration and drawing Vietnam into ASEAN, the conflict in Cambodia could be scaled down. In June 1990, Japan invited Hun Sen and Sihanouk to Tokyo to discuss a peace settlement and transition. Thailand's PM Chatichai Choonhavan proposed the meeting, and the agreement reached in May ostensibly came from Thai General Chaovalit; however in reality it was proposed and drafted by the Japan.⁶³⁹

Following the 1991 Paris Peace Accords and authorised by Security Council Resolution 745 (February 1992), UNTAC was given eighteen months to: enforce the Paris Peace Accords (supervise Vietnam's withdrawal); protect and promote human rights; create and hold elections; demobilise military forces; and repatriate refugees and displaced persons.⁶⁴⁰ The overall aim was hubristic - to externally meddle with class/group relations by introducing multiple socio-political forces that were held only tenuously together (the Coalition Government of Democratic Kampuchea), to face a pre-existing hegemonic group that held an entrepreneurial control over most levers of state (the State of Cambodia), and hope that these power relations would be channelled peacefully through elections and a respect for human rights. It was the most expensive, the largest, and the most ambitious UN peace keeping/peace building mission ever attempted, and Japanese (alongside Australian and French) leadership would be very visible. Akashi Yasushi leadership position in UNTAC strengthened Japan's willingness to heavily fund the effort (almost half of the budget), commit Japanese military forces (the PKO bill in June 1992 allowed Japanese military forces to venture abroad for the first time since the end of WWII, despite opposition from the Japanese left), and created a forbearance towards circumstance (the deaths of a Japanese volunteer and policeman).⁶⁴¹

⁶³⁹ Soeya, Yoshihide. (1997) 'Vietnam in Japan's Regional Policy'. In Morley, James, W. & Nishihara, Masashi (eds.) *Vietnam Joins the World*. New York and London: ME Sharp

⁶⁴⁰ United Nations Security Council, Resolution 745, February 28th 1992. [Online] <http://daccess-dds-ny.un.org/doc/RESOLUTION/GEN/NR0/011/04/IMG/NR001104.pdf?OpenElement> (accessed 01.03.2015)

⁶⁴¹ Findlay, Trevor. (1995) *The Legacy and Lessons of UNTAC*. Stockholm International Peace Research Institute, Research Report No. 9. Oxford: Oxford University Press

There are a number of ways to interpret Japan's decision to become heavily involved in Cambodia given, as it was, a major departure from Japan's post WWII Yoshida Doctrine/Fukuda Doctrine position of economics first and political ambivalence, with the UN's internationalist norm coming into conflict with Japan's anti-militarist norm.⁶⁴² One general route to conceiving it is to frame Japan's involvement in terms of reactivity vs. proactivity. On the first, Japan's involvement was driven by the lessons learnt by the Miyazawa administration from the previous year's embarrassing 'chequebook diplomacy' with regard to Japanese monetary only support of the US during the Gulf War, and that as long as the US-Japan alliance is upheld Japan should be playing a more active international (political) role.⁶⁴³ This may have been an impetus but was surely not the overall driver, since Japanese diplomatic efforts towards Cambodia, as outline above, had begun a long time previous. On the second, the Japanese state was seeking to demonstrate that it would play a more proactive international role, within the framework of the UN, but proactive nonetheless by being Japan's first attempt at comprehensive peace building, widening Japan's regional relations from narrow economic power to also include political influence.⁶⁴⁴ The high status of Japanese ODA and diplomatic engagement with Cambodia, despite the low levels of investment and trade, then and now with Cambodia, demonstrates the salience of a political/regional interest from the Japanese state that is not shared by Japan's business community.⁶⁴⁵

A second general means to interpret the action is in terms of historical trends. One view is that the involvement in Cambodia need not be regarded as strange in it itself when seen in the context of the Fukuda Doctrine of 1977. Japan has long had designs to integrate ASEAN further, widening it to include the latecomer states of the Mekong region, but that these plans were paused due to Vietnam's invasion of Cambodia and general international condemnations.⁶⁴⁶ The involvement with Cambodia therefore represents the culmination of a long-term but pushed off course policy agenda towards Indochina, the Mekong region and Southeast Asia - 'ASEANisation'. The fact that Japan stood ready so quickly with a raft of regionally oriented political and economic groupings to join, demonstrates a strong desire to tie up the Mekong states, and particularly Indochina, with each other and integrate them into wider networks of cooperation.

Economically, the 'UNTAC boom' - whereby the UN and other donors provided half of the government's budget, in addition to attracting thousands of other well-paid foreign donor staff attracted to a new economic basket case - left the existing regime to continue its party/bureaucracy/state entrepreneurial activities. Furthermore, the consistent attempt to open up Cambodia's economic resources to world economic orders, when there are pre-existing dominant elites, served to strengthen those elites rather than the Cambodian people or the general economy. As Caroline Hughes notes on the pre and post UNTAC effect; in the 1980s central government policy had met with resistance at the local levels (information gathering, cooperation, and extracting economic resources). However in the 1990s after UNTAC and other donor aid, the centre no longer needed the peripheries as sources of revenue, instead only requiring the people's consent for gaining the political legitimacy that donors expected in order to receive aid, leading to the centre protecting civil service and military entrepreneurialism activities while simultaneously marginalising the populations being exploited by those entrepreneurial activities.⁶⁴⁷

⁶⁴² Dobson, Hugo. (2003) *Japan and United Nations Peacekeeping: New Pressures, New Responses*. New York & London: Routledge Curzon

⁶⁴³ Kohno, Masaharu. (1999) *In Search of Proactive Diplomacy: Increasing Japan's International Role in the 1990s*. Brookings Institute, Working Papers by CEAP Visiting Fellows, No. 2. [Online] <http://www.brookings.edu/research/papers/1999/09/fall-japan-kohno> (accessed 28.02.2015)

⁶⁴⁴ Lam, Peng Er (2009) *Japan's Peace-Building Diplomacy in Asia: Seeking a More Active Political Role*. London and New York: Routledge

⁶⁴⁵ Hatakeyama, Kyoko & Freedman, Craig (2010) *Snow on the Pine: Japan's Quest for a Leadership Role in Asia*. New Jersey & London: World Scientific Publishing Co. Pte. Ltd

⁶⁴⁶ Watanabe, Akio (2001) 'Japan's Position on Human Rights in Asia'. In Maswood, Javed, S. (ed.) *Japan and East Asian Regionalism*. New York and London: Routledge

⁶⁴⁷ Hughes, Caroline. (2003) *The Political Economy of Cambodia's Transition, 1991-2001*. London and New York: Routledge, Curzon

After the UNTAC intervention, Cambodia was entirely re-constructed. Hang Naron characterises Cambodia's economic transformation as occurring in three stages:

1. The rehabilitation phase (1992-1998)
Privatisation of SOEs; price and trade liberalisation; new taxes to fulfil shortfall from SOEs; elimination of customs exceptions; removal of price controls on government expenditure; elimination of Cambodia's credit facility with the USSR; new France based legal system introduced; new enterprise based legal system was introduced; Khmer rouge disarmed and dismantled; ODA and FDI encouraged
2. The reconstruction phase (1999-2003)
Political reforms of a democratic character; international recognition sought and gained with a seat at the UN and joining ASEAN; rehabilitation of physical infrastructure (transport and energy); new management and financial management systems introduced; ideologically in-line with the Washington Consensus of 'sound institutions', export based growth and budgetary discipline; FDI brought into strategic sectors of textiles and garments, natural resources and tourism
3. The economic take phase (2004-to present)
Efforts to 'decentre' reforms from the cities to rural areas; reform of public finances including anti-corruption; encourage cash crops such as rice and established sectors from the former phase (raw materials, garments and tourism).⁶⁴⁸

Yet, while each of these economic transformations have taken place, politically the situation remains the same. UNTAC's refusal to disarm the Khmer Rouge meant the need in 1994 to provide a mass amnesty, denying the Cambodian people any measure of social justice. UNTAC, and by proxy Japan, were attempting to exogenously create a liberal shell without considering the pre-existing social forces. Michael Pugh usefully asks the Critical question: "who is peace building for, and who does it serve?"⁶⁴⁹ In Cambodia's case, it was the pre-UNTAC state players. Elections have been held but always lead to the same outcome - a Hun Sen/CPP victory. A constitution was promulgated in 1993 with UNTAC help but not abided to existing political actors. Even the 2006 attempt to produce some form of juridical accountability, by holding a War Crimes Tribunal for ex-Khmer torturers and executioners has had to be majority foreign government funded - largely from Japan and the EU, and slow in its conduct due to consistently being on the brink of bankruptcy and not paying staff.

As established in chapter four, the intervention by the UN, Japan and the international community, simply created a shell of a democracy and its institutions while simultaneously installing all of the institutions expected of a liberal economy but managed by a strong man in Hun Sen and his CPP that for all intents and purposes is equivalent to the state.

Japan's uncritical bolstering of a neo-liberal one party proto-state led to the emergence of a number of endogenous institutional power linkages. Outlined above has been how Japan's ODA has aided in Japan's involvement in the composition of Cambodia's national policy priorities. Current Japanese policy towards Cambodia is 'Support for the Rectangular Strategy-Phase 2' (domestic priorities) matched with the need 'to promote ASEAN integration, to strengthen ASEAN connectivity, to narrow the development gap in the region and to ensure human security and environmental sustainability' (Japan's Fukuda Doctrine/GMS priorities).⁶⁵⁰ And just as the 'Ishikawa Mission' managed in Vietnam, Japanese elites have been able to convince the Cambodian state to change its legal system, playing a role in drafting Cambodia's Civil Code and the Civil Procedure Code,⁶⁵¹ in addition to Cambodia's 1994, 2003 and currently in negotiation, Investment Law (see above).

⁶⁴⁸ Hang, Naron. C. (2012) *Cambodian Economy: Charting the Course of a Brighter Future—A Survey of Progress, Problems and Prospects*. Singapore: ISEAS Publishing, p51-54

⁶⁴⁹ Pugh, Michael. (2005) 'The Political Economy of Peacebuilding: A Critical Theory Perspective'. *International Journal of Peace Studies*, Vol. 10, No. 2, pp. 23-42 (p38)

⁶⁵⁰ Embassy of Japan in Cambodia [Online] *Country Assistance Policy for Cambodia* (April 2012). Available at <http://www.kh.emb-japan.go.jp/economic/cooperation/Assistance%20Policy.pdf> (accessed 20.01.2014)

⁶⁵¹ MOFA [Online] *Joint Statement on the New Partnership Between Japan and Cambodia*, June 14th 2007. Available at <http://www.mofa.go.jp/region/asia-paci/cambodia/joint0706.html> (accessed 15.01.2015)

To achieve this institutional connectivity and integrate into Japan's and multilateral actors expectations, an internationalisation of the Cambodian state must take place, leading to the creation of endogenous politico-economic institutions that can equally be found in any of the Mekong countries: the Cambodia for the Development of Cambodia (CDC) for ODA; the Cambodia Investment Board (CIB) for foreign investment; and the Cambodian Special Economic Zone Board (CSEZB) for trade. These bodies exist to interact with the world hegemons in general, including Japan, and the languages used for their websites - Khmer, English and Japanese - are a good indicator of whom the intended audience members are hoped to be.

However due to Japan's ODA provision status in Cambodia, special privileges that enable the facilitation of transnational elite groupings have also been provided. This involves the implanting a familiar 'package' of Japan friendly institutions that previous chapters have noted have already been established in Thailand and Vietnam. JETRO arrived in 2010 and by 2012, a 'Japan Desk' was created within the Cambodia Investment Board (CIB); Japan is the only country to possess one, giving Japanese corporations special access to information sources within the CIB.

8.3.2 Formal and Informal Institutional Influence

Formal institutional influence exists for Japan along multiple channels. From the very outset of Cambodia's rebuilding, Tokyo and Paris chaired the 1993 International Committee on the Reconstruction of Cambodia (formerly the 1992 Tokyo Ministerial Conference on the Rehabilitation of Cambodia) and the Japanese government and French government would take the lead donor state roles in Cambodia's rehabilitation. This was followed by the 1995 Forum for the Comprehensive Development of Indochina (state level) and 1996 Task Force for Strategies for Development of the Great Mekong Area (corporate level). At the regional level support came for the Mekong River Commission (formerly Mekong Committee) and support for each CLV country's ASEAN membership application. Continued attempts to wrap Cambodia into a sub-regional and regional network of institutions continued with the 2000 Initiative for ASEAN Integration (IAI) and 'Narrowing the Development Gap' (NDG); the Koizumi administration's support of Cambodia as part of the new CLV development triangle area concept (2004); and Japan's creation of the Japan-ASEAN integration fund (2006), ostensibly aimed at the latecomers which included Cambodia.

Informally, Japan's hegemony works just as effectively as Japan's formal hegemony. 'Promoting mutual understanding' steps out of the code word world of diplomatic exchange and into social reality, as Japanese ODA and domestic education spending is used to sponsor foreign nationals to study in Japan. These Japan trained staff often either work for Japanese organisations, recommended for senior Cambodia positions or, Japan's JICA simply maintains its own officials *within* key government ministries; in the floor above the minister or the in the adjacent room. As one senior Japanese business advocacy figure disclosed:

The Japanese government sponsors talented Cambodians with high scores to go to Japan. These are what I call the 'third generation politicians'. The 'second generation politicians' were mostly Russian trained. Vietnam used to pick up the talented ones and send them to train in the USSR University of International Relations. This new generation, now, has a lot of Japan trained people. For example, the Ministry of Economy and Finance Minister was Japan trained. Now, and this is a little secret, when South Koreans began investing in Cambodia they said it was like a 'Little Manchuria' without the Japanese army. Because, Japan trained Cambodians would all go to the ministries as bureaucrats or even ministers. JICA can then get lots of information from them. In 2010 there were 750 Japanese people in Phnom Penh, 280 of them were working for JICA. But the Koreans complained a lot, so now we share. So the Ministry of Economy and Finance is now Korean.⁶⁵²

⁶⁵² Interview with interviewee 11

8.4 JAPAN, CAMBODIA, AND HEGEMONY III: IDEATIONAL POWER

8.4.1 Regionally Oriented Ideas: Cambodia ⇄ GMS

In ideational terms, Cambodia has fully accepted the GMS agenda, and the subsequent Japan-Mekong agenda. This has been affirmed by senior MOFA officials to US embassy officials,⁶⁵³ professed by the MOFA in relation to Cambodia,⁶⁵⁴ and is acceded to by Cambodia at each of the stages of the process; the latest of which is the 'Tokyo Strategy 2012 for Mekong Japan Cooperation'.⁶⁵⁵ In addition to economic corridors, connectivity and growth triangles, the ADB added tourism to the GMS's priority areas in 1994. Attendant to this, the regime in Cambodia began to promote tourism in Cambodia and now shows the second highest sectorial growth area for foreign investment behind garments. There are three types of tourist being courted - the mass tourist, the health tourist and gambling tourist.

In relation to the first, Thailand is the model. Travelling around Cambodia and its cities reveals instantly the parallels that have been constructed, as Cambodian businesses seek to replicate, often unthinkingly, Thailand's famed reputation for hospitality.⁶⁵⁶ A particular area of focus is the replication of Thailand's famous southern beach resorts, and this is taking effect in Cambodia's southern port town of Sihanoukville,⁶⁵⁷ destroying the port area for the local inhabitants as foreign property developers are courted.⁶⁵⁸ In January 2015 Japan and Cambodia signed the Japan-Cambodia Air Services Agreement that would allow for the creation of direct flights between the two countries (the closest direct flight is currently only to Ho Chi Minh City), and given the trajectory it is reasonable to predict a relaxation of visa arrangements will also take place soon just as occurred for Vietnamese nationals. Chasing the signing of the flight arrangement came the announcement by one of Japan's most expensive hotel developers - Okura Hotels - that they would open a hotel in Phnom Penh by 2019. With one night at the Okura hotel in Tokyo costing more than half of the average Cambodian's yearly income (\$370 and \$710 respectively), it is doubtful many of the local people will be staying there. Instead, a Cambodian elite class can tap into global capitalism, allowing them to shop in Japanese malls, remain healthy and live longer in Japanese hospitals, and rest and relax in Japanese hotels.

A second type of tourist courted is the health tourist. An outgrowth of decades of social development aid provision and NGOs having established a healthcare infrastructure in Cambodia, there is a high degree of health tourism for elites in the Mekong region, with Singapore's or Thailand's hospitals regarded as the best to either travel to or use at locally opened branches in Phnom Penh. However, transport back and forth is both dangerous and expensive, and Japan plans to create Cambodia's first state of the art international hospital in Cambodia. The test case for this is Tokyo's Hachioji based Kitahara International Hospital group. Kitahara, under the rubric of the internationally oriented 'Medical Excellence Japan', maintains a small MDG oriented clinic in Cambodia - Kitahara Japan Clinic - that also aids an

⁶⁵³ US Diplomatic Cable (from: US Embassy Tokyo, to: various). Subject: Japan Views: ASEAN, Burma., Thailand, Cambodia, the Philippines. Cable: 08TOKYO3360, October 12th 2008. Available at <http://wikileaks.org/cable/2008/12/08TOKYO3360.html#>, 08TOKYO3360 (accessed 12.02.2015)

⁶⁵⁴ MOFA [Online] *Working Toward the Development of the Mekong Region: Cambodia*, March 2009. Available at <http://www.mofa.go.jp/region/asia-paci/mekong/development/cambodia.html> (accessed 12.02.2015)

⁶⁵⁵ MOFA [Online] *Joint Statement of the Sixth Mekong-Japan Summit*, November 12th 2014. Available at <http://www.mofa.go.jp/files/000059391.pdf> (accessed 12.02.2015)

⁶⁵⁶ One way this has been achieved is to import the branded notion of the 'Thai smile', but in Cambodia it is transformed into 'happiness'. This moniker can be found everywhere, from 'happiness hotels' to 'happiness pizzas'. A second way is to create a culinary experience. Thai curries are listed second on restaurant menus to the Cambodian 'amok', between which it is sometimes difficult to tell the difference. Thailand has two national beers, one light (Singha) and one strong (Chang); Cambodia has two national beers, one light (Beer Cambodia) and one strong (Angkor). Thirdly, a leisure experience must be manufactured that is imbued with 'traditionalism' by adding 'traditional Khmer' to everything. Thailand's famous massage culture is transplanted to become 'traditional Khmer massage' in Cambodia. Thailand's famed street, night and floating markets become 'traditional Khmer' markets and Thailand's street food culture becomes replicated in Cambodia as 'traditional Khmer street food'. And between all of these exhibitions of traditional social life, the tourist is transited by Thailand's famous form of transport - the *tuk tuk*.

⁶⁵⁷ Chheang, Vannarith (2009) 'State and Tourism Planning: A Case Study of Cambodia'. *Tourismos: An International Multidisciplinary Journal of Tourism*, Vol. 4, No. 1, pp. 63-82.

⁶⁵⁸ Levy, Adrien and Scott-Clark, Cathy. [Online] 'Country for Sale'. *The Guardian*, April 26th 2008. Available at <http://www.theguardian.com/world/2008/apr/26/cambodia> (accessed 10.09.2014)

adjoined NGO. However the groups' true goal is to build on this 'humanitarian' entry point and open a for-profit Japanese style hospital in Phnom Penh, with the hospital group president Kitahara Shigemi travelling with Prime Minister Shinzo Abe to Cambodia during the prime minister's 2013 Southeast Asia tour.⁶⁵⁹ When a nurse at Kitahara Clinic in Phnom Penh was questioned on who exactly in Cambodia would be able to enjoy these expensive services, the reply was: "Cambodia is like a pyramid. But a very sharp pyramid. There are some very, very rich people. These people go abroad for their healthcare".⁶⁶⁰

The third type of tourist that the regime in Cambodia seeks is a more specialist one - the gambler and, not predominantly but significantly, the Chinese but also Vietnamese and Thai gambler. Since gambling is illegal in all of those territories, a boom currently exists for a developing petty bourgeoisie who wish to indulge, and Hun Sen has developed his own plan to generate foreign exchange from this lucrative segment of global finance.⁶⁶¹ There are fifty-seven casinos in Cambodia and interestingly combine with another developing in importance feature of the Mekong region - border towns.⁶⁶² Casino's are being sited in the 50m-60m strip of land between border checkpoints, and first hand experience for this research at one of these land border crossing points revealed a multitude of foreign businesses and Cambodian casinos located effectively *between* but *within* states. This is yet another feature of Cambodia's political-economy that maintains the regime's power, since not only does it help raise foreign capital it also raises revenue outside of the mass Cambodian public's view, meaning that the regime does not need to recourse to national taxation and developing a social contract.

8.4.2 Nationally Oriented Ideas: Cambodia <> Japan

When King Sihanouk visited Tokyo in May 1953, becoming the first state leader to be received by the post-war Hirohito, it led to a new embassy being established in August 1953 and Prince Norodom being nominated as head of the first Cambodian mission in Tokyo. Soon after came the creation of the Cambodia-Japan Friendship Society in September 1954, and the sending of the Keidanren Uemura Mission in January 1955 (Uemura Kogoro being vice president of Keidanren and president of the Cambodia-Japan Friendship Society).⁶⁶³ From this early example of elite led interventions into civil society internationalism has, in fits and starts, resulted in a full understanding that politico-economic relations are stronger when they are embedded in civil society connections. In 2004, the Cambodia-Japan Cooperation Centre (CJCC) opened, and one of its four goals which summarises Japan's political agenda well is: "the implementation of Japanese Language Course to promote market-oriented economic reform and mutual understanding".⁶⁶⁴ Whether or not there is a connection between teaching Japanese and market oriented reform, the stock policy phrase of 'promoting mutual understanding' is all importantly there. This soft power factory, similarly found in many other manifestations across the Mekong countries, is an initial step on the road towards Japan's politico-economic penetration into intellectual civil society.

Another, and at first glance oddly perverse, example of ideational power at work in Cambodia is the construction of Phnom Penh's AEON Mall. Breaking ground in December 2012 and opened in June 2014, the mall serves as a potent soft power producer for Japanese investment among

⁶⁵⁹ Interview with interviewee 3

⁶⁶⁰ Interview with interviewee 15

⁶⁶¹ Hookway, James. [Online] 'Cambodia's Hun Sen Has a Secret Plan'. *Wall Street Journal*, August 10th 2012. Available at <http://blogs.wsj.com/indonesiarealtime/2012/08/10/cambodias-hun-sen-has-a-secret-plan/> (accessed 11.09.2014)

⁶⁶² Styllis, George. & Sothear, Kang. [Online] 'Proposed Vietnamese Law a Threat to Cambodia's Casinos'. *Cambodia Daily*, September 18th 2014. Available at <https://www.cambodiadaily.com/business/proposed-vietnamese-law-a-threat-to-cambodias-casinos-68196/> (accessed 18.01.2015)

⁶⁶³ Gunn, Geoffrey (2011) 'War Claims and Compensation: Franco-Vietnamese Contention over Japanese War Reparations and the Vietnam War.' *The Asia-Pacific Journal: Japan Focus*, Vol. 9, Issue 49, no 4. Available at <http://www.japanfocus.org/-Geoffrey-Gunn/3658> (accessed 20.12.2014)

⁶⁶⁴ Cambodia-Japan Cooperation Center (CJCC) [Online] *About CJCC Project*. Available at <http://www.cjcc.edu.kh/en/about-cjcc-project.html> (accessed 02.03.2015). The four project purposes are: 1. Implementation of Human Resource Development Course to promote market-oriented economic reform; 2) Implementation of Japanese Language Course to promote market-oriented economic reform and mutual understanding; 3) Implementation of Exchange Program to promote mutual understanding; and 4) Implementation of other activities.

the city's population who widely know the mall's national origins.⁶⁶⁵ The World Bank's most recent estimates show that poverty (at the less than \$2 dollar level) in Cambodia has halved from 53.2 per cent in 2004 to 20 per cent in 2011, however the population hovering above the poverty line or 'near poor', remains as high as those in 'poverty' in 2004.⁶⁶⁶ Building a mall in one of the poorest countries in Southeast Asia would not seem like the best business decision and anticipating political protest arising from the temple to consumerism, on opening the mall Hun Sen said: "Please, all youths, try to work hard for the success of the mall. If Aeon does not make profits, the mall bosses will not increase your salaries. There is no need to protest to destroy the mall ... don't become good at protesting or create any protests that will make Aeon shut down".⁶⁶⁷ Japan's hegemonic hold over Cambodia is so strong that the country's leader can be convinced to personally lend veiled threats towards the protection of a shopping mall.

8.5 CONCLUSION

In summary, this chapter has detailed a picture of Japan's interventions in Cambodia that are highly demonstrative of hegemony; even of hegemony within the more Realist, dominating vein. Encapsulated by three-decade long authoritarian leader Hun Sen, and a clientalist state architecture that has been captured by a corporatist compact of political-business-bureaucratic elites, Cambodia's pretences to be a liberal democracy are a mirage. Born again after a Japan led United Nations intervention in 1992, a Vietnam installed elite class were presented with the opportunity, or rather the necessity, of starting again and they took it. The international community in the form of the UN, ADB, NGO community and principally Japan, have done two things to Cambodia: firstly, cocoon in place an established elite class for the same of stability and the need to legitimate a liberalising democracy agenda, while secondly, re-orienting Cambodia towards the most neo-liberal of objectives. The result has been the creation of a transnational super elite, connected to the patrimonialism of the Hun/CPP regime that formerly fed from the USSR and now largely feeds from the global humanitarian machine.

Through the UNTAC intervention, and its prior development, and its post support, the Japanese state took onto itself a major political commitment - to build political bridges and re-build Cambodia. This democratisation dream has failed, however this is not necessarily a problem for Japan's GMS oriented regional hegemony. Claims by Japan of being interested in democracy promotion and a wider liberal agenda in Cambodia are only superficially correct. Given that, despite other bilateral donors and multilateral donors having withdrawn aid from Cambodia due to the behaviour of the Hun Sen regime, Japan has continued its support in the face of overwhelming evidence that Cambodia is not democratising. There has to be another explanation than democracy for Japan's interest in Cambodia. That explanation is that Japan is not interested in democracy promotion in Cambodia, and is instead keen to create and cultivate a neo-liberal regime in the Cambodian state that can more readily serve Japan's regional objectives within the GMS.

In conclusion, the Japanese state (less so Japan's private sector) has played a highly activist role in attempting to influence Cambodia's elites. Far from reactivist but often careful as to US desires and a rising China, the Japanese state nonetheless has internationalised into Cambodia, changing Cambodia's institutions and injecting norms that favour Japan's regionalisation agenda for the Mekong and ASEAN. The focus for Japan is on Cambodia's role as a 'bridgeway state', allowing for the crossing of the Mekong peninsula and potentially in the future allowing for the connection of East Asia with South Asia.

⁶⁶⁵ Multiple interviews in Phnom Penh during the summer of 2014, in addition to in situ discussions at the Aeon Mall complex. The sense garnered of visitors to the mall is of a perverse window shopping that holds out the impossible to afford to a nation of Buddhists who either can't afford the wares being sold or who regard such behavior as morally contaminating. However all those interviewed and spoken too had the immediate knowledge of the mall's Japanese origin, in addition to a positive attitude towards Japan and Japanese investment as a result.

⁶⁶⁶ World Bank (2013) *Where Have all the Poor Gone?: Cambodia Poverty Assessment 2013*. Available at <http://documents.worldbank.org/curated/en/2014/05/19677674/all-poor-gone-cambodia-poverty-assessment-2013> (accessed 03.01.2015)

⁶⁶⁷ Quoted in Hunt, Luke. [Online] 'Cambodia Heads Upmarket with Style and Hun Sen'. *The Diplomat*, July 8th 2014. Available at <http://thediplomat.com/2014/07/cambodia-heads-upmarket-with-style-and-hun-sen/> (accessed 02.09.2014)

9.0 LAOS: JAPAN'S FINAL FRONTIER

If there is a dearth of research on Cambodia there is an even greater paucity of research on the international relations of Laos Peoples Democratic Republic (LPDR), and especially Japan's international relations with the tiny Mekong republic. Laos's Communist class governs over a highly multi-ethnic polity, imposing upon and marginalising centuries of micro-level village communities a new class not only of political elites but also the modern language of nationalism and nation-states. This Communist class have now fallen into line with the post-Cold War neo-liberal consensus and is opening up its country for sale to the lowest bidder, searching for its 'unique selling points' to serve a regional politico-economic order. These have been identified as the commodification of its land, in the form of mining, hydropower, and other resource extraction industries. The purpose of this chapter is to investigate the notion of hegemony in Japan's relations with Laos and identify both the direct economic power and structural economic power dimensions of influence that this notion operates through. Much of the extant literature in relation to Laos automatically assumes that Laos is in the natural orbit of China and/or Vietnam. This chapter questions this, by firstly focusing on the importance of Thailand, and through Thailand Japan's influence by proxy, especially in Laos's Thai facing southern regions. The thesis is that while Japan's economic power in Laos is indeed operating in a greater cacophonous atmosphere, Japan is pursuing its GMS oriented strategy nonetheless and the regime in Laos is acquiescing, albeit slowly, to many of the directions and priorities that Japan is suggesting. This is increasingly being pursued in a sub-national way. In the face of a heavy Chinese presence in northern Laos, Japan is oriented towards Laos's south so as to apply GMS East-West economic corridors and Cambodia-Laos-Vietnam Development Triangles onto Laos.

The first section of the chapter details Japan's historical relations with Laos. Much of the literature on Laos is too focused upon the contemporary and if Laos's modern history is examined in its entirety one can see a high degree of Japanese influence in Laos. That influence began strongly in the 1960s, but was paused and not enthusiastically sustained after the Pathet Lao assumed power in 1975. The second section on Japan's material power reaches a mixed conclusion. Japan's adept ability to bring together material power with ideational and institutional power to generate hegemony has been partially successful and partially unsuccessful. In relation to the first, Japan's ability to generate consent towards ideational frameworks that include Mekong connectivity, ASEAN regionalisation, and a Tokyo-Mekong relationship has all been fairly well established. In relation to the second, there has been a distinct lack of institutional change in Laos and in this regard, Japan's hegemony is demonstratively weaker. The third section examines the institutional changes occurring in Laos and, while similar in thrust to those attempted in Vietnam and Cambodia, reforms have been much slower to develop in Laos leaving questions as to how much lingering influence Laos's Communist neighbours of Vietnam and China continue to exert. Ideationally, Laos has shifted towards a 'resourcification' view of itself within the GMS; selling off its hydropower and other natural resources to external powers. The GMS project has opened for Laos a pathway towards energy and resource exploitation that is being utilised by its Mekong neighbours; especially Thailand. However, the overall impact of the GMS agenda is minimal, aside from developing trends in Laos's southern regions.

9.1 JAPAN-LAOS RELATIONS

Japan's entry to the country was as colonialist. The pattern of behaviour was similar to Japan's other interventions into Indochina. Japan enters under the auspices of French colonialism, ostensibly supporting it but covertly encouraging anti-Western/anti-colonial activism; upon the weakness of Vichy France in Europe towards the end of WWII and sufficient oppositional momentum gathered in the colony, launch Operation Meigo and overturn the French sponsored regimes with Japanese friendly regimes; then disown any agenda speaking to anti-colonialism and become the colonial overlords themselves. Entering Laos under the yoke of French colonialism in 1941, only to demand in 1941 that France restore the three territories it had seized at the beginning of the century. Finding pro-France King Sisavang un-cooperative, the

Japanese military cultivated a number of differing agents - one within the royal elite, in the form of Prince Phetsarath Ratanavongsa who led the 'Free Laos' (*Lao Isshara*) nationalist movement; and one among the anti-colonialist political elite - the Hmong politician Faydang Lobliayao. Japan launched a *coup d'force* in March of 1945, forced Prince Phetsarath in April to declare Laos's independence (despite the non-cooperation of King Sisavang Vong), which then joined the Japanese Empire with Prince Phetsarath as Prime Minister; making him cursorily the so called 'father of Lao independence'. Japan's empire was defeated in August and disbanded five months later in August 1945 as the Chinese Nationalist Army disarmed Japanese troops in northern Laos and the British Army disarmed Japanese troops in Laos's south.

A peace treaty was signed in June 1952 upon Japan re-gaining full sovereignty from the US.⁶⁶⁸ In March 1955 diplomatic relations were re-established between Japan and Laos, and any claims towards war reparations were relinquished in 1957.⁶⁶⁹ The Bank of Tokyo opened a branch in Vientiane in September 1958 and aid began to flow to Laos.⁶⁷⁰ Japan's engagement with Laos during the subsequent period of 1955-1975 saw the development of a heavy Japanese economic influence in Laos. The Japanese state began a modernisation mission in Laos, marked by the 1958 construction of a 300KW diesel generator, built by Mitsubishi, which generated most of the electricity in the capital. A series of aid-sponsored endeavours during this period saw Nippon Koei emerge as a particularly important private sector actor operating in Laos. In addition to infrastructure the Japanese state successfully launched a number of bilateral connective processes, e.g.: technical assistance, a scholarship program, a Japan volunteer program.⁶⁷¹ This served not only to build ties between Japan and Laos, but also between Japan and other donors, allowing Japanese public and private officials to operate closely with American, Australian, French and multilateral actors in Laos; normalising and legitimating Japan's interventions. Any pretence of aid being non-political credibly unsustainable during this period as this 'bloc' of Western aid donors that Japan was engaged with, were clearly in support of the Royal Lao Government and stood in stark contrast to an opposing Communist bloc of intervening parties from Northern Vietnam to the USSR.

What is also remarkable during this period is the degree of politico-economic penetration achieved by Japan, engaging in large scale projects especially in infrastructure, simultaneous to both a civil war within Laos and a global war that situated Laos between US bombing runs and targets in Vietnam. A 1957 water project completed by Nippon Koei for Societe des Eaux du Laos in 1964; the 1965 planned and 1971 completed Nam Ngum Dam by Nippon Koei; the 1969 Vientiane-Nong khai Bridge feasibility study by Nippon Koei (which would go on to become the First Thai-Lao Friendship Bridge, completed with Australian funding in 1994), and the 1971 construction by Nippon Koei of the main runway at Wattay Airport in Vientiane (expanded in 1972), stand out as early examples of Japan's economic influence attempting to modernise and integrate Laos into a Western capitalist orbit.

What is perhaps more readily familiar is that Japan was benefitting from playing of a double game. Aid was being used to leverage the establishment of Japanese companies in Laos, who could then go on to benefit from being able to bid for multilateral aid projects to Laos (particularly from the UN), in addition to benefitting from the 'Vietnam boom' as Japanese contractors supplied the US war machine tearing up Indochina. While America bombed, Japan built. Japan's *dokken kokka* officials must have looked on with glee at the creation of such demand for re-building. However following the gains made by the north Vietnamese and Pathet

⁶⁶⁸ The 'Treaty of Peace with Japan' (in force, June 20th 1952)

⁶⁶⁹ The 'Waiver of Claims for Reparations; (March 11th 1957)

⁶⁷⁰ Formalised with the 'Japan-Laos Agreement on Economic and Technical Cooperation' (in force, January 23rd 1959)

⁶⁷¹ In 1958, a scholarship program began, lasting until 1971, and resulted in 156 scholarships to study in Japan. From 1959 until 1971, under the Colombo Plan, six Japanese experts visited Laos to assist with agriculture and health reform. In 1965, the Japan Overseas Co-operation Volunteers (JOCV) enters Laos, the first country for this JOCV program. The JOCV program was modelled on the US Peace Corps, initiated by President JF Kennedy a few years previously. This JOCV dispatch marked the first government directed intervention in Laos. Between 1970-1975, social programs began with the OTCA (overseas technical cooperation agency) providing medical staff (two doctors, one X-ray technician, three nurses) to Ngone Dispensary, and one dentist to Luang Prabang Hospital. In addition, under the Colombo Plan, two experts were sent to investigate seri-culture development in Xayfong district, Vientiane. Finally, between 1974-1975, the Ngone Irrigation Project was conducted. This was a plan for 800 hectares of agriculture, fish farms and vegetable plots (feasibility study conducted in 1968-1969; feasibility study cost - \$128,000, plan cost - \$2.54 million).

Lao, and the subsequent withdrawal in June 1975 of America's USAID from the multi-donor Foreign Exchange Operation Fund (FEOF) - contributed to by the US, France, Australia, UK and Japan, and which was essentially been funding the Lao economy and Lao army - collapsed the economy, and non-US donors were unwilling to remain engaged without US commitment.⁶⁷²

All public engagement between Japan and Laos ceased from 1975 and the assumption to power of the Communists. However, upon the initiation of détente with *chintanakane mai*, and economic liberalisation with the New Economic Mechanism (NEM), Japan (along with France and Sweden) became the first to re-engage with Laos in 1986. Laos's Prime Minister Kaysone Phomvihane visited Japan in 1989 and Japan's Foreign Minister Nakayama Taro visited Laos in 1990. Following this, re-engagement began tentatively with the re-starting of the Japan Overseas Co-operation Volunteers (JOCV) program in April 1990. This facilitated the encouragement of other Japanese civil society actors in Laos from 1992, including the Shanti Volunteer Association (SVA) and Japan International Volunteers Centre (JVC).⁶⁷³ JICA opened an office in Laos in 1996 and their first big task was to handle a 3.9 billion yen loan provided in October the same year for the construction of the Nam Leuk Hydropower Project.

Japan's engagement with the Communist regime at this time appears cautious compared to interventions in Vietnam and Cambodia during the same period. Widespread reforms made in 1992 in Cambodia with the UNTAC intervention, or in 1994 in Vietnam with the Ishikawa Mission, were not similarly attempted in Laos. This lack of enthusiasm was demonstrated by the sending of Japan's Laos oriented organic intellectual, Mie university professor Suzuki Motoyoshi,⁶⁷⁴ to Laos in 1999. Motivated only by the refusal of multilateral donors to lend anymore to the Laos regime, due to a lack of reform and stalking inflation, Suzuki found that: "The Laos Government, the political bureaucrats, don't listen to the advice by young Laos officials, even though those recommendations, are very, very good. As a major aid donor to Laos, Japan is well placed to gently, but firmly, push the reform program on".⁶⁷⁵ This slow and/or intransigent Laos elite, either unable or unwilling to adequately implement Japan's dictates, have resulted in Laos having only developed two bilateral economic agreements with Japan.⁶⁷⁶ Similar agreements were reached with Laos's 'big brother', Vietnam, more than a decade previously that have also since been further expanded upon.

9.2 JAPAN, LAOS AND HEGEMONY I: MATERIAL POWER

9.2.1 ODA

Rising from \$6.9 million in 1990 to nearly \$60 million half a decade later, the Japanese aid complex quickly established itself in post-Cold War Laos to immediately become the largest bilateral donor in 1991 (see table 9.2). Japan was not alone, and alongside came the ADB, which also rushed in to become in multilateral terms Laos largest donor, providing for the period 1990-1995 twice as much assistance as the then IBRD (now World Bank). For the period

⁶⁷² US Microfilm (from: US Embassy Vientiane, to: US dept. of state and various FEOF states) Subject: *FEOF Agreements*. Canonical ID: 1975VIENTI04022_b, June 5th 1975. Available at https://www.wikileaks.org/plusd/cables/1975VIENTI04022_b.html, (accessed 05.10.2014)

⁶⁷³ A rare example of Japanese transnational civil society, volunteer groups adopted Laos as a *cause celebre* from 1992. The Shanti Volunteer Association (SVA) forerunner was the Japan Satoshu Relief Committee (JRSC) formed in 1980 in response to the Cambodian refugee crisis. Once finished, it becomes the Satoshu Volunteer Association (SVA). In 1999 after gaining accredited legal status it changed its name to Shanti Volunteer Association (SVA). The organisation is financially dependent on JICA grant aid. Like the Shanti Volunteers Association, the Japan Volunteer Centre (JVC) was formed in 1980 in response to the Cambodian refugee crisis, but unlike the Shanti Volunteer Association it has a different and more wide ranging activity profile. It is active in agriculture, water safety, emergency relief, conservation and children's education. Like Shanti it is also financially dependent on JICA grant aid.

⁶⁷⁴ Suzuki Motoyoshi has become Japan's leading government intellectual in relation to Laos. He is JICA Executive Adviser to Ministry of Planning and Investment Lao PDR; Special Adviser to the National Committee for Special and Specific Economic Zone Government's Office; and Visiting Professor at the National University of Laos

⁶⁷⁵ Arthurs, Clare. (1999) 'Japan tries to kick-start Laos'. *BBC News*, July 14th 1999. Available at <http://news.bbc.co.uk/1/hi/world/asia-pacific/394434.stm> (accessed 10.09.2014)

⁶⁷⁶ The 'Agreement on Technical Cooperation between the Government of Japan and the Government of the Lao People's Democratic Republic' (in force, December 12th 2003) and the 'Agreement between Japan and the Lao People's Democratic Republic for the Liberalisation, Promotion and Protection of Investment' (in force, August 3rd 2008)

between 2002-2013 Japan's aid to Laos continued to expand, totally \$929 million dollars; almost three times the next largest donor, Australia, at \$322 million. Representing 35 per cent of all bilateral aid and 24 per cent of aid from all donors, Japan's aid position in Laos stands out in front (see fig 9.1), albeit at far lower levels than that provided to other Mekong countries (total aid to Cambodia for the same period runs to \$1.5 billion while that received by Vietnam totals \$16 billion). By contrast, and statistics are always difficult to gain precisely, Syviengxay Oraboune calculates that for the period 2000-2008 ODA from China accounted for an average of between 7-8 per cent of ODA into Laos, compared to the half of bilateral ODA accounted for by Japan for the same period.⁶⁷⁷ What is ever evident in relation to Japan's aid to Laos is the similarity of sectorial profile, irrespective of country features. Even in Laos Japan's overwhelming priority is in transport infrastructure and energy, and this stands in contrast to the overall profile of ODA to Laos from other donors. Referring to table 9.1 and table 9.3, while other donors prioritise social sectors such as 'civil society', 'education', 'health' or 'agriculture' Japan's focus is on 'transportation and storage' (see table 9.3). Japan's aid to that sector, totalling \$197 million for 2000-2012, is six and a half times larger than the next largest donor, Australia's, top single sector priority of primary education, which sums to only \$30 million.⁶⁷⁸ This is because Japan's priority is the connectivity element of the GMS project and Australia's is not.

9.2.1.1 Direct Influence

Japan is able to achieve this prioritisation of transportation through its direct power influence. That is, not only through the sheer volume but the organisation of its aid. Despite Laos being one of the poorest economies in the world, Japan's aid demonstrates an ability to unshackle itself from grant aid and instead provide higher volume loan aid. In the post-Cold War period, Laos has largely not received aid loans from any other bilateral donor except for Japan (later and at a lower also Korea). Most aid arrives to Laos in the form of grants, which is appropriate, considering OECD formal and normative rules on lending to LDCs. In Japan's case, twelve loans have been proffered since the first in 1974 for the Nam Ngum Hydropower Project, totalling \$318 million.⁶⁷⁹ With newer post-Cold War rules in place on lending, the Japanese state has opted to continue providing loans but then also providing 'debt relief grants', thereby offsetting the onerous components of the loan. This provides Japan with great economic power to exert while also, ostensibly at least, maintaining Laos's acquiescence and non-complaint to other international community members. The Japanese state is thus able to continue with its Mekong wide infrastructure, unhindered by issues such as whether Laos can pay back its loans or international norms on lending to the poorest in the world.

A second direct channel of aid power is Japan's ODA relationship with Thailand. Through Thailand's TICA and NEDA institutions, Japan is not only able exploit Thailand's geographic proximity to Laos but also Thailand's long established socio-political relationship with Laos.⁶⁸⁰ It also enables Japan to extol by proxy and gain local legitimacy from the message emerging from Mekong state Thailand, the Mekong wide normative agenda of the GMS and 'connectivity'. Of NEDA's nine current financial projects, six are in Laos (and three in Cambodia), while all of NEDA's three technical cooperation projects are in Laos.⁶⁸¹ Of these, every year Laos receives the highest, consistently two or three times more than the second highest recipient, Cambodia, receives.⁶⁸²

⁶⁷⁷ Oraboune, Syviengxay. (2008) 'Lao PDR and its Development Partners in East Asia (China and Japan)'. In Kagami, Mitsuhiro (ed.) *A China-Japan Comparison of Economic Relationships with the Mekong River Basin Countries*. Bangkok: Bangkok Research Centre, IDE-JETRO. Available at http://www.ide.go.jp/English/Publish/Download/Brc/pdf/01_laopdr.pdf

⁶⁷⁸ Note: These figures can be found in table 9.1. Australia's largest aided sector is classified as 'multi-sector' which encompasses many forms of aid project. Therefore the number two, clearly defined sector of primary education has been selected for comparison here. The total sums delivered between Australia's number one and number two are in rough parity in any case.

⁶⁷⁹ Data on ODA loans can be found at: JICA [Online] *ODA Loan Project Data*. Available at http://www2.jica.go.jp/en/yen_loan/ (accessed 30.03.2015). Yen figures have been translated using 2015 rates of \$1=120¥

⁶⁸⁰ Interview with interviewee 25

⁶⁸¹ NEDA [Online] *Projects*. Available at <http://www.neda.or.th/eng/index.aspx?pageid=2&parent=36&folder=89&subfolder=150> (accessed 10.04.2015)

⁶⁸² TICA [Online] *Total Value of Thai International Cooperation Program According to Program (TICP)*. Available at <http://www.tica.thaigov.net/main/en/other/4296> (accessed 10.04.2015)

9.2.1.2 Indirect Influence

Unlike Vietnam that openly requested Japanese assistance to reform, or Cambodia where the state architecture could be built from the bottom up, Laos's economic institutions contain a lingering historical archaeology from the Cold War when Laos's world order was firmly within the Communist bloc. More on how Laos's institutions have been pushed to reform is detailed below (see section on exogenous institutional influence), however a major means by which this is being attempted is using ODA. The question hangs on how much influence China and Vietnam maintain within the powerful foreign investment overseeing Ministry of Planning and Investment (MPI). Formerly the State Planning Committee (SPC) during the pure command economy days, the SPC was the main conduit through which Soviet, Vietnamese and Chinese assistance was provided. The degree to which this institutional power architecture still exists is difficult to ascertain, but certainly Japan and other multilateral donors are attempting to 'multilateralise' it or, in the buzzword found in the literature - 'improve transparency'.

The first approach is through a reform of the 'centre', the MPI itself. Laos' aid dependency means that foreign donors such as Japan can open up the MPI to wider outside scrutiny. This has occurred with Laos's ascent to the creation of 'The National Roundtable Process' (NRP) which coordinates between the Laos government and all foreign donors from within the Department of International Cooperation (DIC) within the MPI. Similar to Cambodia's 'Council for the Development of Cambodia' (CDC), this process has also led to the creation, as with Cambodia's CDC aid database, of an open user ODA database - the Aid Management Platform (AMP).⁶⁸³ Through these measures that fall under the rubric of 'openness' and 'transparency', foreign donors including Japan can hope to break open the secretive operations of the MPI that may favour Vietnamese or Chinese interests.

Alongside the creation of the National Roundtable Process which aims to increase transparency over inputs, has been the accompanying desire to increase transparency over the outputs, i.e.: spending. Similar to Vietnam's Ishikawa Project aims in Vietnam, Japan has been attempting to apply a familiar reform template to Laos. The 2004-2007 'Project for Capacity Building in Public Investment Program Management' (PCAP1) aimed to reform how ODA was used by Laos's MPI, followed by a second phase between 2008-2011 (PCAP2) which essentially began a familiar to the Mekong countries process of essentially disciplining, involving (1) teaching budgetary preparation and monitoring, (2) the distribution of lessons from the centre to Laos's provinces, and (3) 'support' for the creation of Laos's Public Investment Law.⁶⁸⁴ Between 2012-2015, a third phase 'Project for Establishing Public Investment Plan under NSEDP' (PCAP2) which has four goals but which do not essentially depart from previous phases. The lack of 'progress' (in JICA's mind) due to slow moving governance structures and ingrained corruption in Laos means that phase three was essentially an extension of phases one and two.

Phase Two of this technical intervention (PCAP2) also led to the creation of the Public Investment Program (PIP), the government's public sector investment vehicle (which includes aid and FDI, but mostly aid), coordinated by the MPI, and which provides a focus for foreign investors. For the previous 6th Five Year Socio-Economic Development Plan (2006-2010) the PIP accounted for half of the Laos government's budget, and 84 per cent of the PIP budget come from foreign aid projects.⁶⁸⁵ Given that according to OECD data, Japan's aid to Laos for that period averaged 60 per cent of all bilateral aid and 35 per cent of total aid disbursed to Laos, Japan's influence over public investment projects through Laos's PIP program is highly significant. Indeed when Japan's JICA and the ADB, both of which regard their main entry

⁶⁸³ Ministry of Planning and Investment (MPI) (public investment) > Department of International Cooperation (DIC) (aid) > The National Roundtable Process (coordinating the Laos government and all donors) > Aid Management Platform (AMP) (aid database)

⁶⁸⁴ JICA [Online] *Lao PDR Project for Establishing Public Investment Plan under NSEDP (PCAP3): Mid-Term Progress Report (First Year), September 2012*. Available at http://www.jica.go.jp/project/laos/015/materials/ku57pq00001ssraj-att/MidtermRpt_1year_en.pdf (accessed 11.03.2015)

⁶⁸⁵ Khampakone, Outhenthapanya. [Online] 'Lao PDR: MfDR in Aid and Country's Own Resources'. *Asia Pacific Community of Practice on Managing for Development Results (COP-MfDR)*, 11.07.2008. Available at https://wprq4.adb.org/LotusQuickr/cop-mfdr/PageLibrary482571AE00516AA5.nsf/h_66516823CDBD916948257377001F25A5/6D33859FEB3CB1C5482575200034949F/?OpenDocument (accessed 02.04.2015)

point of influence to be the PIP, refer to ‘capacity building’ as a goal of their aid to Laos, it is to the PIP that they are referring.⁶⁸⁶ In 2010, various capacity building JICA projects became amalgamated into a voluminous MPI manual, which reads like an entire government agenda of goals, policies, and projects for Laos.⁶⁸⁷ With the lack of an established legal framework in existence in Laos, the Japanese state is attempting through the PIP to impose a standardising framework of rules, which could guide public investment in Laos and thereby allow the greater control of provided funds.

A second indication of Japan’s structural ODA power is through its ability to re-focus upon particular sub-national regions of Laos that run more in-line with GMS priorities. This means the focusing of ODA into Laos’s southern provinces. Aided by a decentralisation agenda that began with the March 2001 Laos Prime Ministers Decree 46 which created CICs (Committee for Investment and Co-operation) that gave greater regional autonomy to local committees, Japan’s aid towards not only the capital of Vientiane but also to the south with the One District One Product, ‘ODOP Regional Promotion Project in Southern Laos’ (ODOP2) (see below, fig. M). This growing interest in southern Laos is matched by Japan’s interest since the Koizumi administration in ‘micro-regions’ and especially the Cambodia-Laos-Vietnam Development Triangle Area (CLV-DTA), a conceptual unit that crosses southern Laos, northern Cambodia, and the Eastern side of central Vietnam. Located conveniently along Japan’s preferred GMS East-West Economic Corridor there is an attempt to generate a micro-level industrial cluster in Laos’s south supported by Japanese aid. This patterning effect is likely for two reasons in addition to Mekong region wide integration plans: (1) a heavy Chinese presence in the north, and (2) the southern regions being flatter, more fertile and rich in natural resources. Japan’s funding of hydropower projects is to power a raw materials seeking private sector; the expansion of Savannakhet airport provides greater southern ‘connectivity’; and the funding of educational initiatives in the south, especially focused on Savannakhet University, is clearly an effort by Japan to deal with increasing competitive pressures in the north and develop a more regionally connected south. The detrimental impact on the peoples of southern Laos seems to be less a concern than grand strategies, as thousands of local farmers and peoples are moved from their land. With JICA hiring their own third party consultants to ‘mark their homework’,⁶⁸⁸ there is nothing perceived amiss and their country assistance is justified as for the benefit of the Laos people.

⁶⁸⁶ This began with the Asian Development Bank’s 1999 ‘SSTA for Preparing Public Investment Program’ (project no. 33352-012). Then JICA followed through with complementary technical cooperation projects: ‘Project for Capacity Building in PIP Management (PCAP)’ (2004-2007), followed by the ‘Project for Enhancing Capacity of Public Investment Program Management (PCAP II)’ (2008-2011).

⁶⁸⁷ Ministry of Planning and Investment [Online] *Manual For Public Investment Program (PIP) Project Management (Version 3.0)* (August, 2010). Available at http://www.jica.go.jp/project/laos/0700667/materials/pdf/ProjectManual/manual_e1.pdf (accessed 02.04.2015)

⁶⁸⁸ Japan’s MOFA conducts third party country assistance evaluation reports, however the ‘reports’ are far from impartial. The most recent 2014 Laos country evaluation was performed by ALMEC Corporation, a Japanese urban transportation consultancy company based in Shinjuku, Tokyo, whose principal client is JICA, while the 2005 country evaluation was performed by OPMAC (Overseas Project Management Consultants Ltd), a Japanese management consultancy whose principal client is JICA and JBIC; hardly the conditions for an objective and critical evaluation.

See: MOFA [Online] *Individual Evaluation Report by Area and Country*. Available at <http://www.mofa.go.jp/policy/oda/evaluation/country/index.html#laos> (accessed 05.04.2015)

Fig. M JICA Projects in the Southern Regions of Laos



Source: JICA (2014)⁶⁸⁹

9.2.2 Energy

Drawing on the older definition of the Mekong growth area as a resource-based concept, the Mekong River is crucial to Laos's future. This is because with a lack of industry, lack of capital accumulation, a scattered and un-educated population, and a slow moving Communist government, Laos has found its comparative advantage within the global economy - hydropower. Convinced by global actors of the need to serve its neighbours with whatever is available, Laos's elite is actively pursuing the goal of becoming the 'battery of Asia'. This notion is both philosophically and physically tragic since the idea implies that the only way for Laos to transform is by supporting the transformation of others. The energy sector was prioritised as part of the 4th Five Year Economic and Social Development Plan (1996-2000) and realised with the 1997 Electricity Law, leading to the need re-settle thousands of local people and terraform enormous quadrants of its territory to power the dreams of its neighbours. It is also evidence of an immaturity in the face of the imperatives of a regional order economy, since the Laos state is positioning its economy to be highly dependent on hydropower as a single source of electricity (99.8 per cent of electricity is generated from hydropower) yet cannot even provide the necessary electricity for its own people (40 per cent of the population do not have access to electricity).⁶⁹⁰ Laos lacks even the capacity to adequately transport the electricity generated from hydropower out of the country for sale, and since a nationwide electricity grid is not in place, Laos is forced to depend on imports from China and Vietnam in its provinces where the grid cannot provide electrification.⁶⁹¹

According to the ADB, Laos has around 20,000MW of hydropower potential but only 2,570MW of developed capacity, with this capacity being developed as an export commodity rather than to directly benefit the Laos people - as of 2011 out of the 2,570MW developed only 579 MW is meant for the domestic market with 1,987MW bound for export markets (Thailand and Vietnam) (see below, table O).⁶⁹² Powering this regionally focused policy will be seventy-one actual and potential dams by 2020 - eighteen are operational, fourteen under construction, twenty-four planned, and thirty-two are at feasibility study stage.⁶⁹³ The scale of this undertaking is best understood comparatively. Thailand, with a much longer development period and larger energy demands, has only constructed around 40 dams, Vietnam around 30

⁶⁸⁹ JICA [Online] *Map of Japan's Major ODA Projects (Lao PDR)*. Available at http://www.jica.go.jp/laos/english/office/others/c8h0vm000082prpz-att/map_lao.pdf (accessed 05.04.2015)

⁶⁹⁰ Socio-economic Atlas of Laos PDR [Online] *An analysis of the 2005 Population and Housing Census, H6: Use of Electricity*. Available at <http://www.laoatlas.net/Welcome.html> (accessed 15.04.2015)

⁶⁹¹ *ibid*, Socio-economic Atlas of Laos PDR

⁶⁹² Asian Development Bank (2013) *Laos People's Democratic Republic: Energy Sector Assessment, Strategy and Road Map*. Available at <http://www.adb.org/sites/default/files/institutional-document/33914/files/laos-pdr-energy-assessment-2013-update.pdf> (accessed 21.04.2015)

⁶⁹³ Ministry of Energy and Mines, Department of Energy Business [Online] *Powering Progress - Electric Power Plants in Laos, March 2013*. Available at http://www.poweringprogress.org/download/Electric_Power_Plants_in_Laos_March_2013.pdf (accessed 20.02.2015)

and Cambodia around 20 at various stages of completion or planning.⁶⁹⁴ It is also being attempted in a very short period of time. In the 1960s when dams were regarded globally as an easy route towards development, Western bilateral and multilateral donors swarmed into Laos and Japan developed the powerful Nam Ngum Dam from 1966 (operational in 1971).⁶⁹⁵ With the succession of the Pathet Lao to power in 1975, international investors were frightened away, and the next dam to go into operation that could rival Nam Ngum went into operation in 1998 with the 210MW Theun-Hinboun Hydropower Dam. This all means that from the end of the Cold War and the consolidation of Laos's NEM policy, until Laos's LDC escape date of 2020, Laos plans to build double the dams that Thailand built during the entire post-WWII period.

Table. O The Energy Potential of Laos

| | Overall GMS potential | Laos potential | Laos's % of GMS |
|-----------------------|------------------------------|-----------------------|------------------------|
| Hydro (MW) | 229,031 | 17,979 | 8 |
| Coal (million tonnes) | 28,065 | 503 | 1.8 |

Source: ADB (2012)⁶⁹⁶

However, it is Thailand, with Japan's assistance, which has driven Laos's becoming the 'battery of Asia'. A map of Laos's electrification shows a highly networked Thai facing Western border but also a poorly networked Vietnam facing Eastern border. Built by Thai construction companies, often Thailand's largest - Ch. Karnchang - and with electricity promised by diplomatic memorandums of understanding rather than open sale on energy markets (3,000MW promised to Thailand between 1993-2015, and 7,000MW promised between 2015-2020; 3,000MW promised to Vietnam between 2008-2020); the moniker should be the 'battery for Thailand'.⁶⁹⁷ Given the previously cited statistics on capacity vs. developed capacity, these are large promises to be making. The other large but only more recently investing country is China, beginning with China International Water & Electric Corp's (CWE) 90 per cent investment in the 2010 operational Nam Lik 1-2 Hydropower Dam. Since then, China's interest in Laos's hydropower has grown substantially, with many upcoming or planned projects being delivered by either Chinese SOE's CWE or SinoHydro Corp, financed by the China Development Bank.

The human and ecological costs of these developments for the Laos and downstream peoples are enormous. To take the largest and most controversial dam - Xayaburi Dam, the first downstream dam built on the Mekong River proper rather than a tributary - the dam's reservoir requires a reservoir of 49 km², the same combined size as Tokyo's three Eastern wards of Shinjuku, Shibuya, and Nakano. This researcher has seen first hand the communities living next to, even perched perilously on the edge of the river that will eventually be consumed by a manufactured lake.⁶⁹⁸ The subsequent development from 2008 of the Don Sahong Dam in Laos's southern Cambodia bordering area of Siphandone, could be equally as impactful. Diverting water from the tourist attraction of the Khone Falls, blocking travelling fish flows and threatening the rare Irrawady dolphin, International Rivers reports that local people have been misled and lied to by the dam's developer, Malaysia's Mega First Corporation Berhad.⁶⁹⁹ Politically, the former Ambassador of Australia to Cambodia and keen observer of the Mekong River believes that if completed, the Don Sahong Dam would end any possibility of Mekong River Commission channelled Mekong wide collaboration, as the dam's effects are protested by downstream Cambodia and Vietnam.⁷⁰⁰

⁶⁹⁴ See: International Rivers [Online] Available at <http://www.internationalrivers.org/> (accessed 20.04.2015)

⁶⁹⁵ The Nam Dong Hydropower Dam and Selabam Hydropower Dam had been planned from the 1950s and operating by 1960 however their generation capacity was miniscule at 1MW and 5MW respectively, compared to the 155 MW of Nam Ngum Dam.

⁶⁹⁶ Asian Development Bank (2012) *Greater Mekong Subregion Power Trade and Interconnection: 2 Decades of Cooperation*. Available at <http://www.adb.org/sites/default/files/publication/29982/gms-power-trade-interconnection.pdf> (accessed 10.03.2015)

⁶⁹⁷ Ministry of Energy and Mines, Department of Energy Business [Online] *Powering Progress - Operational and Planned Projects*. Available at http://www.poweringprogress.org/index.php?option=com_content&view=article&id=272&Itemid=2 (accessed 20.02.2015)

⁶⁹⁸ The catchment area feeding the dam is equally enormous. At 272,000 km² it is slightly bigger than the entire landmass of New Zealand (268,021 km²).

⁶⁹⁹ International Rivers [Online] *Don Sahong Dam*. Available at <http://www.internationalrivers.org/campaigns/don-sahong-dam> (accessed 20.04.2015).

⁷⁰⁰ Interview with interviewee 24

9.2.2.1 Direct Influence

Since direct power along this dimension comes from the ability to consciously control the energy supply and/or generation capacity of another state's economy, the direct energy power influence of foreign actors in Laos is substantial. The Japanese state can be said to be one of, if not *the* handmaiden of hydropower in Laos. Laos's first large scale nationally oriented dam, Nam Ngum in Vientiane, began development in 1966 as part of a US overseen development effort. The cost of the initial project was raised through the Nam Ngum Development Fund, of which \$4 million of the total \$22.8 million was contributed to by war recovering Japan; second only to the US.⁷⁰¹ Nippon Koei Consulting performed the technical surveys, design and construction, connected through the United Nations Economic and Social Commission for Asia's 1955 Tokyo meeting and benefitting from founding director, Yutaka Kubota's, wartime experience of Indochina.⁷⁰² Now dubbed the 'battery of ASEAN', in those early days the dam was a Japan deigned, constructed, and significantly funded power source that electrified the capital city and remained for decades Laos's single non-diesel power source. ODA from Japan has continued to focus on the Nam Ngum project, with additional loans in 1976 and 2013, in addition to a JICA loan for the Vientiane proximal Nam Leuk Dam in 1996.

JICA maintains an ostensible policy of only supporting energy projects that benefit the Laos people rather than for export purposes, therefore only working with the SOE 'Electricite du Laos' (EDL) and not with export oriented practitioners.⁷⁰³ This is disingenuous for three reasons: (1) the Japan created Nam Ngum dam once online from 1971 only provided around 10 per cent of its output to Laos and the remaining 90 per cent was sold to Thailand,⁷⁰⁴ (2) once electricity is generated and enters a distribution grid it is mixed, making it impossible to divide by destination; and (3) it is fully understood by JICA that it is the current policy of the government of Laos to develop the energy sector with the intent towards exporting the product. This partnership however, with Laos state energy actor 'Electricite du Laos', has allowed Japan's material power to leverage institutional power in Laos's energy sector and enabled Japan to plausibly claim that they operate only with the consent of the Laos state.

The energy sector is also heavily populated by private companies, although in this highly risky sector these private companies are often acting with support from their home state. Since the enactment of the 1997 Electricity Law, the Laos government has been encouraged to embrace a norm that moves development of the sector towards free market Independent Power Producers (IPPs). Japanese energy actors are able to benefit from supportive *keiretsu* linked banks back in Japan, which can provide large amounts of debt financing or equity financing involved in these projects. However, Japan is largely missing this boom, mainly to Thai and Chinese companies. Of the fourteen dams currently under construction, none have any Japanese interest represented while there are five with Chinese majority stake investors, four with Thai majority stake investors, three with Vietnamese majority stake investors and the remaining a variety of Laos or European interests.⁷⁰⁵ Late to this boom, of the eighteen dams in operation, five have a Japanese private sector presence,⁷⁰⁶ and of the twenty-four in the planning stages, Japanese interests are represented in three projects.⁷⁰⁷ Finally, of the thirty-two dam projects currently at the feasibility

⁷⁰¹ Contributions to the Nam Ngum Development Fund were: Australia (\$500,000), Canada (\$2,000,000), Denmark (\$600,000), Japan (\$4,000,000), Netherlands (\$3,300,000), New Zealand (\$350,000), United States of America (\$12,065,000).

⁷⁰² Rix, Alan. (2011) *Japan's Economic Aid: Policy Making and Politics*. Routledge: Oxon and New York, p201

⁷⁰³ *ibid*, Asian Development Bank (2013)

⁷⁰⁴ World Bank [Online] *Staff Appraisal Report: Lao People's Democratic Republic Nam Ngum Hydroelectric Project*. East Asia and Pacific Regional Office, December 1st 1981. Available at http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/1999/09/20/000178830_98101912532883/Rendered/INDEX/multi_page.txt (accessed 25.04.2015)

⁷⁰⁵ *ibid*, Powering Progress - Electric Power Plants in Laos, March 2013

⁷⁰⁶ Nam Ngum 1 (Hitachi Corp., Nippon Koei Corp., Hazama Ando Corp.); Nam Ngum 2 (Toshiba Hydro Power (Hangzhou) Co., Mitsui Corp.); Houay Xe (Tokyo Electric Power., Obayashi Corp.); Nam Song (Andritz Corp.); Nam Theun-2 (Andritz Corp., Nishimatsu Construction)

See: Power Plants Around the World [Online] *Hydroelectric Power Plants in Laos*. Available at <http://www.industcards.com/hydro-laos.htm> (accessed 15.04.2015)

⁷⁰⁷ Kansai Electric & Nippon Keoi have a 45 per cent share in Nam Ngiep 1 (Hitachi Mitsubishi Hydro Corporation are providing the turbines); Marubeni Corp have a 25 per cent share in Nam Ngum 3 Hydropower (IPP); and Kobe Green Power Co. Ltd have an 80 per cent share in the Nam Phak project

stage, only Chubu Electric Power has shown an interest in the Nam Mouan project,⁷⁰⁸ in addition to their being a 70 per cent JICA funded and Kansai Denroku spearheaded interest in the Xe Katam Hydropower Project.⁷⁰⁹ Given the size of these FDI investments, and the importance of hydropower to the Lao government's post 1996 development policy, this is a significant loss of economic power influence for Japan, especially with regards to the greater number of projects in development that are being funded by or promised to Chinese developers. The Director General of Laos's Dept. of Energy (Ministry of Energy and Mines), Xaypaseuth Phomsoupha, hints that Japan's terms of agreement in these projects are often strict, exploitative (by tying all work to Japanese goods and labour) and expensive.⁷¹⁰ This may explain the greater desire of the Laos government to pursue other, cheaper, options.

9.2.2.2 Indirect Influence

In indirect energy power terms, i.e.: the size of Japan within the energy sector, there are three key differences between Japan's investment in hydropower and other international actors - scale of dam, relationships with Laos's neighbours, and regional strategy. For most of Laos's post-WWII period, Nam Ngum Dam's 155MW installed capacity dwarfed other dams that only managed double-digit capacities. Japan's ability to work at scale was again demonstrated in 2005 with the construction of the 1088MW Nam Theun 2 dam; at the time the largest foreign investment project in Laos. As technology has continued to improve and Laos's legal framework relaxed, there has developed among all investors in the sector a capacity 'arms race', with the largest being the in progress 1878MW Thai invested Hongsa Lignite (IPP) (second is the controversial Xayabouri Dam at 1285MW). Of the planned dams, the Japanese private sector invested Nam Ngum 3 (IPP) at 460MW and Nam Ngiep 1 (IPP) at 289MW rank high among the other double-digit capacity IPP projects.

A second indirect channel of influence but related to the first point on scale, is the network of state and corporate relationships that Japanese actors have. Many dam projects have multiple investors, so as to distribute the risk. Japanese and Thai contractors often invest together, for example Nam Ngum 3 Hydropower (IPP) is a coalition of LHSE (Laos) (23 per cent), Marubeni (Japan) (25 per cent), Ratchaburi (Thailand) (25 per cent), GMS (Thailand) (27 per cent). This is not an isolated example, and collaborations between the Japanese and Thai private sectors are common. These relationships not only exist at the project level but also at a financial level also; there is a *reason* why Thai companies have the strength to bid and invest as they do. For example, the controversial Xayaburi Dam is being constructed by Xayaburi Power Company Limited, which in turn was created by Thai construction company Ch. Karnchang who maintain a majority ownership; and Ch. Karnchang since 1981 has operated in a joint partnership with Japan's Tokyu Corporation - a relationship valued by the Japan educated CEO of the corporation.⁷¹¹ This tangled web of transnational ownership/finance/project delivery means that while at surface level it appears that Thai investment in hydropower has been the most significant in Laos, behind those Thai actors often resides Japanese support. Indeed, a Japanese political figure in Vietnam confided that it is in this indirect fashion that the Japanese state attempts to influence Laos politics, i.e.: indirectly by proxy through Thai and Vietnamese influence in Laos, where it is known that Chinese influence is powerful.⁷¹²

The final and possibly most important indirect channel of influence is Japan's being able to channel its hegemony within the legitimising structures of a GMS regional strategy and through its organic intellectual the ADB. The existence of a regional strategy demonstrated through the

ibid, Powering Progress - Electric Power Plants in Laos, March 2013

⁷⁰⁸ *ibid*, Powering Progress - Electric Power Plants in Laos, March 2013

⁷⁰⁹ World Bank [Online] *Project Information - Kansai Xe Katam HPP*. Available at <http://ppi-re.worldbank.org/data/project/kansai-xe-katam-hpp-6125> (accessed 26.04.2015).

⁷¹⁰ Interview with interviewee 27

⁷¹¹ Interview with interviewee 20 & 21

Mr. Trivisvavet's undergraduate years were spent at Chiba University and his postgraduate years at Osaka University. He speaks in high terms about Japan and his dealings with Japanese business, often likening Thailand's leaders with Japan's Meiji reformers, and the need for both together to equally help to modernise Laos. He is dismissive of claims made by NGOs about the Xayaburi Dam development that he is involved in.

⁷¹² Interview with interviewee 8

energy sector becomes clear when the locations of Japanese energy projects are taken into consideration. Historically, Japanese investment into the energy sector in Laos largely focused on powering the centre; with the Nam Ngum Dam in Vientiane including multiple upgrades of capacity in the decades since its original build. However, it is Japan's southern strategy that needs powering. According to an official at Mitsui Corp, a major mining actor in Laos and regular beneficiary of Japanese state ODA in Laos, the Xe Katam Hydropower Project (*aka*. Kansai Xe Katam HPP) is a test case and if productive there will be more.⁷¹³ Located in Champasak province in Laos's southern region and close to Pakse; this Thai facing border town is of great interest to Japanese producers wishing to utilise the East-West corridor, and ODA loans were provided by Japan in 2011 for the 'Southern Region Power System Development Project'. Development of energy production capability here followed by more if successful would facilitate Japan's Mekong wide strategy. In addition, potential exists for wider energy exploration in the southern provinces where Japanese investment is beginning to concentrate.⁷¹⁴ These Japan-centric initiatives are consented to by Lao elites because Japan and other donors are able to offer an ideational road map - in the form of the Greater Mekong Subregion - that creates a framework linking material, ideational and institutional productive forces that justify for Laos elites the direction they are taking their national policies.

9.2.3 Communication

As a land-locked country, the over-riding imperative in relation to Laos and the need for 'connectivity' is large-scale communications infrastructure, as has taken place in Cambodia. The government has launched a strategy which attempts to invert the notion of 'land-locked' into 'land-linked', but since it is outside actors who will largely be funding and building such linking infrastructure, it falls to them to say which parts of the country should be linked or not. Being historically a hinterland addendum to the empires of others, followed by crawling into itself to become the so-called 'hermit country', Laos has been left both communicatively dependent and communicatively poor. Waterway transport on the Mekong is limited to small freight and any dreams of a north-south transport canal encounter the same problem that French colonialist Francis Garnier encountered on his 1866 mission to discover the source of the Mekong River - the Khone Falls. International air travel is limited to Vientiane and the only recently turned international, one terminal, Luang Prabang. With both airports in the northern region, southern Laos is not integrated by air at all (meaning there is interest by Japan in potentially internationalising the southern domestic airports of Pakse and Savannakhet). The main means by which social and business level communication is conducted is by roads that are generally acknowledged to be lacking in national and provincial areas, and of poor quality. By 2012 the length of roads had increased to 43,601km from 32,600km a decade earlier, however most of this increase only resulted from an increase in lower quality gravelled roads, with simple earthen roads remaining largely the same and minimal increases in higher quality concrete or asphalt roads (see appendix 9.2).

'Transport and logistics' is by far the largest sectorial allocation by Japanese ODA to Laos. At \$197 million spent in total between 2000-2012, spending on transport infrastructure by Japan has been double that of the next largest sector - energy (see table 9.3), and bucks the overall trend of other donors which has transport in eleventh place of sectorial priorities (see table 9.1).

9.2.3.1 Direct Influence

The direct influence of Japan's communicative influence in Laos is the proportion of the Laos government's public investment that is apportioned to 'transport communication'. Averaging

⁷¹³ Interview with interviewee 28

⁷¹⁴ As far back as 1979 the World Bank identified the potential for oil in the southern province of Savannakhet, making the province strategic not only in terms of the Mekong wide East-West corridor, but potentially bountiful in its own terms and located far from the capital where supervision is lighter. See: World Bank [Online] *Socialist Transformation in the Lao Democratic Republic, An Economic Report: Volume 1, Main Report (2282-LA)*. East Asia and Pacific Regional Office, February 26th 1979. Available at http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2000/06/24/000178830_98101912424372/Rendered/PDF/multi-page.pdf (accessed 26.04.2015)

around 40 per cent since the beginning of the 1990s, the Laos government allocates four times as much investment to transport than the next prioritised economic sector of ‘agriculture’, and around twice as much as the highest social sector - education.⁷¹⁵ Given that a large part of Laos’s public investment is capital raised from foreign donors and highest among those donors is Japan and the ADB; in addition to Japan’s interest in pulling the regime in Laos’s decision making into the National Roundtable Process and Public Investment Program (PIP) rather than behind closed doors at the MPI, it is reasonable to conclude that Japan’s sectorial funding interests, driven by wider strategic frameworks, are represented in Laos public investment priorities. If the regime in Laos were to deviate from these interests or fulfilling these frameworks, Japan is able decrease these funds at will, affecting the regime’s general budget.

Furthermore, in policy terms, the Laos government has consented to the validity of the notion of the GMS economic and transport corridors, implicitly also consenting to the ASEAN and Asian Highway plans. In June 2014, Laos announced the desire to build six new province linking roads at an estimated cost of \$3.98 billion and stretching 32,374km long, thus moving Laos further towards slotting into these region wide transport networks.⁷¹⁶ Ngampasong Muongmany, Deputy Director General of the Ministry of Public Works and Transport’s Roads Department, freely admits to not knowing the full costs of the necessary road-building and upgrading, in addition to the fact that Laos cannot afford to do it.⁷¹⁷ Many of these province linking road projects are Laos’s southern regions. In 2011 grants were provided for the ‘Project for Improvement of National Road No. 9 as East-West Economic Corridor’ - the road that crosses from central Vietnam, and in January 2014 Japan provided an ODA grant for the ‘Construction Project Of Sekong Bridge’, which would connect the south-eastern town of Dak chueng with the south-central town of Sekong, allowing for a straight line Westwards into the key south-western town of Pakse.

9.2.3.2 Indirect Influence

Japan’s dominance in communications based spending across the entirety of the Mekong region and not only nationally in Laos provides to Japan great structural influence. While investment has been allocated towards the enhancement of Vientiane airport, this and Laos’s only other international connection through Luang Prabang airport are both in northern Laos. Japan’s connectivity based interest in Laos is regionally oriented, not international, and it is therefore Japan’s priority to improve communication channels in Laos’s Mekong strategy positioned southern provinces: (1) across Laos in accordance with the East-West corridor, and (2) within the micro-growth triangle of the Cambodia-Laos-Vietnam Development Triangle Area (CLV-DTA) (see below, fig. N). This primarily means investing in National Road 9, the only concrete paved main road in Laos. Japan is doing this in concert with the ADB, across Laos-Vietnam borders, providing a transport conduit from Vietnam’s Da Nang port to the border town of Lao Boa, across Laos to the Western border town of Savannakhet, and into Thailand where transit will be possible across into the northern Myanmar port of Mawlamline. Coupled with this is grant aid spent on repairing bridges, and in 2001 loan aid being provided to build the second of four Thai-Lao Friendship Bridges spanning the Mekong.

⁷¹⁵ Oraboune, Syviengxay. (2008) *International Infrastructure Development in East Asia -Towards Balanced Regional Development and Integration*. IDE Discussion Paper No. 151, April 2008. Available at <http://www.ide.go.jp/English/Publish/Download/Dp/pdf/151.pdf> (accessed 25.04.2015)

⁷¹⁶ World Highways [Online] *Laos Plans Interlinked Roads* (June 11th 2014). Available at <http://www.worldhighways.com/categories/auctions-equipment-supply-servicing-finance/news/laos-plans-interlinked-roads/> (accessed 10.04.2015)

⁷¹⁷ Laos faces daunting challenge in road network upgrade. *Vientiane Times*, February 5th 2015. Available at <http://www.nationmultimedia.com/aec/Laos-faces-daunting-challenge-in-road-network-upgr-30253468.html> (accessed 11.04.2015)

Fig. N East-West Corridor Transport Connectivity



Source: author, map source: ADB (2010)⁷¹⁸

Note: connections = Mawlamyine (Myanmar) - Phitsanulok (Thailand) - Khon Kaen (Thailand) - Savannakhet (Laos) - Danang (Vietnam)

In addition to this central East-West corridor connectivity through Savannakhet, is Japan's desire for connectivity through the more southerly Pakse province, and grant aid from 1995-2000 utilised by Nippon Koei Corp. and Shimizu Corp. resulted in the Pakse Bridge. Informally known locally as the 'Lao-Nippon bridge', it appears in commemorative stamps and on the 10,000 kip bank note; a similar gesture that was made by the Cambodian regime. This is the direct expression of Japan's hegemony in being able to spearhead but also replicate world order intentions towards regionalisation. That is, not only the ability to almost single-handedly turn a land-locked country into a land-linked country, but to be provided with the consent by the regime in Laos to conduct such transformative interventions primarily in the Japan preferred southern regions. The Japanese state is not road building to help the Laos people. It is road-building to facilitate trade, with a regional connectivity strategy in mind, and with a keen eye on an encroaching China.

China's investment in communications infrastructure enables a contrast to appear with what Japan is *not* doing. If Japan were interested in overall Mekong connectivity, or a Mekong wide development plan for the sake of the people of the Mekong, or otherwise un-concerned about competing with other states, then there would be a great deal of vertical connectivity oriented projects. There are not, and Japan's communications connectivity interests are largely horizontal in orientation. As was demonstrated in the previous chapter on Cambodia, Japan has invested heavily in Cambodia's National Highways 5 and 6, which correspond almost precisely to the region wide Asian Highway 1. It should follow therefore that there would also be an interest in the second Asian Highway route - AH11, which would connect Laos downwards across Cambodia past Phnom Penh and out to the port of Sihanoukville, and upwards into southern China. There is little interest in this, and Cambodia's northern roads connecting the country with southern Laos were instead funded exclusively by China. The arrangement that Japan is more interested in is connecting Laos horizontally with Thailand and Vietnam, rather than with vertically with Cambodia and China, prioritising Asian Highway 1 rather than Asian Highway 11 and thereby denying certain arrangements of connectivity.

⁷¹⁸ Asian Development Bank (2010) *Strategy and Action Plan for the Greater Mekong Subregion East-West Economic Corridor*. ADB: Manila. Available at <http://adb.org/sites/default/files/pub/2010/gms-action-plan-east-west.pdf> (accessed 15.04.2015)

9.2.4 Production

The reason for production being placed in such a low position among the economic power dimensions is due to the comparatively low overall levels of FDI into Laos, and specifically because of the inferior position of Japan's private sector relative to other countries. Laos is peripheral to the interests of global productive capitalism, sitting bottom of the list of ASEAN countries at attracting foreign direct investment.⁷¹⁹ In the immediate post-Cold War period initial enthusiasm, largely from Thailand, pushed up Laos's inward investment position from \$6.9 million in 1991 to a peak of \$160 million in 1996 (see fig 9.2). After which, the Asian Financial Crisis emanating from Laos's western neighbour caused a decade long retraction. Peaking again in 2005, and again driven by Thai but also Chinese investment, FDI into Laos rose to its current level. That level in comparative terms however is very low and even genocide blighted and war torn Cambodia has performed better at attracting foreign investors (see table 9.5). Investment in most areas of economic life in Laos is overwhelming foreign rather than domestic, and when foreign investors are attracted to Laos they are so largely for two main reasons - hydropower and mining, with a secondary sectorial tier of 'industry', 'agriculture and forestry' and 'services' (see fig 9.3). Between 1990 and 2012, hydropower/electricity generation attracted a total of \$5.4 billion (of which \$4.3 billion was foreign and \$1.1 billion was domestic) while mining/fuel attracted \$5.1 billion (of which \$4.2 billion is foreign capital and \$900 million is domestically sourced). Until very recently Thailand has been the largest investor in Laos although after the Asian Financial Crisis, Chinese investment has assumed top position with investment from Japanese investment ranked fifth (see fig 9.4). The lack of prioritisation placed on Laos by Japan's private sector is demonstrated by the fact that JETRO, the semi-governmental organic intellectual sent out to facilitate Japanese companies entry into a market, only opened an office in Vientiane in April 2014.

9.2.4.1 Direct Influence

The direct power influence of Japan's TNCs in Laos and the ability of the Japan state to utilise them for foreign policy gains, of for example the scale of any of Japan's major automobile producers in Thailand or of Nissho Iwai in Vietnam, is quite low; although Nippon Koei is highly regarded due to its historical role in Laos and association with Nam Ngum Dam. However, the low levels of Japanese private sector investment may not be cause to discount the importance of Japan's production based influence in Laos. A pattern exists in how the Japan Inc. 'coalition' of public and private interests employs economic power across the Mekong states. That is, a demonstrated preference for operating formally as opposed to within the more informal power structures that an economic power such as China does. This means that Japan is more likely to attempt to change the entire host country system and its rules in order to integrate it into a Japan friendly economic order, rather than work within the host country's own status quo.

This means (re-)writing investment laws, negotiating tariff arrangements, building SEZs, and generally inculcating a normative framework that preferences a Japan friendly world view. For example, through JICA's 2004 initiated PCAP programs, the Public Investment Law was 'supported'; meaning helped in writing. Japan's bilateral investment treaty with Laos contains an identical feature to that contained in the Japan-Cambodia investment treaty; namely the creation of 'The Committee'.⁷²⁰ Exhibiting the same asymmetric power that Japan has with Cambodia, on the one hand Laos has to be 'fair and equal' (e.g.: domestic companies not being given preferential treatment *vis a vis* foreign companies), while on the other hand the treaty contains long lists of product and sectorial exceptions that this special body, 'The Committee' - a combination of local diplomatic, corporate, and Tokyo based actors - can decide included or not. In addition, similar to Vietnam and Cambodia, Laos's MPI has been 'ported', i.e.: linked to particular actors with key country 'desks' being established within the ministry. China, Japan,

⁷¹⁹ ASEAN [Online] *Foreign Direct Investment Net Inflows, Intra- and Extra-ASEAN*. Available at http://www.asean.org/images/2015/January/foreign_direct_investment_statistic/Table%2025.pdf (accessed 21.04.2015)

⁷²⁰ MOFA [Online] *Agreement between Japan and the Lao People's Democratic Republic for the Liberalisation, Promotion and Protection of Investment*. Available at <http://www.mofa.go.jp/region/asia-paci/laos/agree0801.pdf> (accessed 20.04.2015)

Russia, Thailand, Vietnam and France desks have been established, a fair reflection of which actors are of key importance to the Laos regime, and as such and unlike Cambodia or Vietnam where the number of country desks is fewer, in Laos Japan's production power penetration of Laos institutions faces greater competition especially from one particular county. A senior World Bank official interviewed for this study gave an inside perspective on negotiating with Laos political institutions: 'China is particularly good at snaking around the ministries and power players in Laos institutions, with the China desk within Laos's Ministry of Planning and Investment being particularly well utilised.'⁷²¹

9.2.4.2 Indirect Influence

At the indirect or structural power level, is Japan's productive power in Laos best observed, i.e.: the ability to create external production links or new norms of wealth creation. Considering Laos's under-development and only partial integration into world orders, this remains in the early stages, although there are some developing trends. Japan's TNCs in coalition with the Japanese state are of course focusing attention on the capital of Vientiane. This is a necessity given that is where the seat of government is in Laos. However what emerges as peculiar is a particular interest by Japanese companies (and Japanese ODA) in Laos's southern regions, especially the provinces of Savannakhet (key border towns are Savannakhet city facing Thailand and Lao Bao facing Vietnam) and Champasak (the key town is Pakse, equidistant between Cambodia to the south and Thailand to the East). This is a focus that stands in contrast to China's historic home base within the northern province of Oudomxay (see below, *fig. O*).⁷²² Far from the capital city where the power brokers are, and practically speaking even further given the lack of adequate transportation in Laos, this allocation of resources towards Savannakhet and Champasak at first glance appears strange. However this oddity is demystified when a number of elements are factored in: firstly, topography; secondly, the imperatives of the GMS concept and its sinews - the economic corridors which in the case of Laos means the East-West corridor; thirdly, the productive power of the Bangkok Plus One supply chain. These propositions each need to be examined in turn.

Fig. O Sites of Japan's and China's ODA and FDI

*Oudomxay Province:
locus of China's ODA and FDI*



Map source: Wikipedia

*Savannakhet Province:
locus of Japan's ODA and FDI*



Map source: Wikipedia

A focus on southern Laos by Japan is a topographically strategic choice. Laos's highly rugged mountainous terrain makes situating productive systems such as factories, transport routes or large-scale agriculture, in many parts of the country challenging. Laos's southern regions are the flattest and the northern regions facing China the most mountainous, and flat land means more arable land, with the agricultural productivity potential of Laos more likely to emerge from the

⁷²¹ Interview with interviewee 29

⁷²² *ibid*, Stuart-Fox, Martin (1997)

south where large scale coffee and rubber plantations already exist. The province of Savannakhet is the largest land expanse that contains land under 500m (see below, fig. P), which has stimulated the Japanese government's funding of the only cross-Laos highway, National Road 9 (Asian Highway 16) and the Laos regime to target the country's investment zoning on the southern provinces. This topographical advantage then allows for the imposition of the Mekong wide East-West investment corridor. In practical terms this means the cracking open of Laos's landlocked status, by opening up production and transportation channels East from Savannakhet province's border town of Savannakhet city out into Thailand's Khon Kaen then Phitsanulok, finishing in Myanmar's northern port area of Mawlamline; and West from Savannakhet province's Vietnam facing border town of Lao Bao which usefully falls parallel with Vietnam's ancient port town of Danang, where a medieval *nihon-machi* once existed.

Fig. P Topographical Map of Laos



Source: Jerndal, Randoi (1998)⁷²³

Finally, focusing production in the south suits Japan economic interests due to the region wide Bangkok plus One supply chain policy.⁷²⁴ The Annamite mountain range that intersects southern Laos and central Vietnam has historically been the reason for a more Thai facing Lao society in the south compared to the more Vietnam or China facing north. This historical orientation guides Japan's current approach to Laos, suiting Japan's regional political interests operating in partnership with actors in Thailand. The SEZ boom of the 1960s is arriving late to Laos, with the first - Savan-Seno Special Economic Zone - established in 2003. Inside the SEZ comes a standard 'one stop service centre' where companies operating within the park can mitigate their corrupt fees paying practices by out-sourcing it to the OSSC. This has been the result of the 'Lao- Japan Public and Private Sectors Joint Dialogues' (started 2007),⁷²⁵ which along with recommending the creation of OSSCs recommended eleven other priority items that then became Prime Ministerial announcements.⁷²⁶ Despite the slow development of additional SEZs, the Savan-Seno SEZ maintains the most advantages; being linked as it is to Route 9 on the route from Vietnam and is located next to the Japan ODA loan funded and 2007 Japan constructed Lao-Thai Friendship Bridge II. Since then there have slowly developed an

⁷²³ Jerndal, Randi. (1998) 'Making Space in Laos: Constructing a National Identity in a 'Forgotten' Country'. *Political Geography*, Vol. 17, No. 7, pp. 809-831

⁷²⁴ Oizumi, Keiichiro. (2013) 'The Potential of the 'Thailand-Plus-One' Business Model: A New Fragmentation in East Asia'. *RIM Pacific Business and Industries*, Vol. 13, No. 50, pp3-20. Available at: <https://www.jri.co.jp/MediaLibrary/file/english/periodical/rim/2013/50.pdf> (accessed 12.04.2015)

⁷²⁵ Embassy of Japan in the Laos PDR [Online] *The Lao- Japan Public and Private Sectors Joint Dialogues: The Third Meeting. The Progress Report of the Action Plan from the Lao Side* (04/12/2009). Available at http://www.la.emb-japan.go.jp/content/japan_laos_relations/Progress_Report_for_Action_Plan_from_the_Lao_side.doc (accessed 15.03.2015)

⁷²⁶ Suzuki, Motoyoshi. (2009) 'Industrialisation Strategy of Laos: Agglomeration and Fragmentation'. In Kuroiwa, Ikuro (ed.) *Plugging into Production Networks: Industrialisation Strategy in Less Developed Southeast Asian Countries*. Singapore, IDE: JETRO

additional ten, only two of which are special economic zones - Savan-Seno SEZ and Golden Triangle SEZ - with the remainder being *specific* economic zones. Most are privately owned, most are owned by investors from China, and most are located in Xaythany District of Vientiane (see table 9.6). The only SEZs fully owned by the government of Laos are the original Savan-Seno SEZ and the 2012 established Thakhek SEZ with the Golden Triangle SEZ partly owned by the government of Laos and partly China. Japanese investors are working within the limitations of the original and government owned Savan-Seno SEZ, with the largest factory being the Japanese owned Lao Tin Smelting Co. Ltd. Nikon opened a parts manufacturing base in September 2013, and Toyota Boshoku, a Toyota components manufacturing firm, located there in February 2015 creating a similar ideational excitement to when Minebea decided to locate in Cambodia.

These developments in part indicate the necessity of ‘beggar thy neighbour’ policies among the latecomer Mekong economies, as corporation tax within a Laos SEZ stands at 8-10 per cent with a 2-10 year tax holiday compared to Cambodia’s 2003 increased rate of 20 per cent with a 4-7 year holiday. However, they also indicate the reach of the hubs and spokes supply chains generated by the Bangkok plus One model, stretching from Bangkok up into Savannakhet province. Through this entry point in the country’s southern provinces, Japan’s productive power is aiding to integrate Laos into Mekong wide production lines while simultaneously maintaining a distance from apparent Chinese interests in the north.

9.2.5 Finance

Financially, Laos - irrespective of regime or regime policy direction - exhibits a high, almost complete, dependence on foreign finance to survive. During the pre-LPRP period and during the Cold War, US aid comprised almost the entirety of the Royal Lao government’s funds in addition to completely funding the Royal Lao army in its Cold War battles with the Communists.⁷²⁷ During the initial period of Communist rule, Laos’ leaders depended on the USSR through CMEA for their funding. With the collapse of the USSR led bloc that financial assistance halted and the Communists were left depending on international, largely capitalist hegemony, to survive.

Being a Communist economy that either purposefully eschews or inadvertently stumbles growth, the money supply in Laos has remained largely static for decades. Only since 2005 did it begin expanding, as incremental turned to rapid growth in 2005 when a supply of 5.4 trillion kip (\$491 million) grew to 21 trillion kip (\$2.6 billion) five years later; in 2013 had reached 42 trillion kip (\$5.3 billion) (see fig 9.7). This can be used, and has been by the regime, as fuel for their argument that Laos’s economy is developing and growing; they are wrong. Most of the capital growth correlates with Laos’ domestic assets as opposed to foreign assets which looks to confirm the regime’s assertion, however looking underneath what ‘domestic assets’ refers to reveals this largely to correlate with what the Bank of Laos calls ‘quasi money’, aka. mostly ‘foreign currency deposits’ (see fig 9.7).

Turning from the monetary system to its main institution, the Bank of Laos, the central bank’s balance sheet reveals further interesting features. The banks’ capital until 2009 was almost entirely foreign, with its domestic assets in deficit (drained by state banks and SOEs). In 2009, there was a dramatic 514 per cent increase in the bank’s domestic assets from -\$454 billion kip to \$1.9 trillion kip, resulting in domestic Laos assets being higher than foreign assets ever since. This is due again to foreign capital, as foreign direct investment rushed in. In 2009, 208 FDI projects worth \$4.3 billion were approved, equating to a 255 per cent increase on the previous year and representing 77 per cent of GDP. On capital allocation, Laos’s central bank’s priority is clear - to fund its state owned banks and, to use the Bank of Laos’s obtuse language, ‘credit to other sectors’/‘credit to the economy’; aka. state owned enterprises, which consume three or four times as much capital as the ‘private’ sector (see fig 9.8).

⁷²⁷ *ibid*, Phraxayavong (2009)

9.2.5.1 Direct Influence

Finance as an economic power dimension is a sector largely under-developed in Laos. However even within this less than developed sector, Japanese power still looms large. Already outlined in the above overview in addition to the previous section on ODA to Laos, as Laos's number one ODA donor consistently since the end of the Cold War, the Japanese state has been able to engage the regime in Laos in a relationship of creditor/debtor interdependence. This is evident when not only the volume of aid but also the type of aid is considered, in addition to which other actors are doing the same. As a least developed country (LDC) there are OECD rules on lending to countries such as Laos, with obvious international normative concerns over creating debt for a country's people who will not be able to afford to pay it back and who do not benefit from democratic institutions that serve the citizenry's interests. The Japanese state is not concerned about such normative limitations, and according to the OECD creditor-reporting system began lending to Laos in high volumes from 2004. Sweden had been lending intermittently from 2002 but at much lower levels. Japan's lead was later followed by South Korea, which began lending to Laos in 2006 and in equally high volumes; no other member of the OECD DAC lends to Laos, respecting the normative concerns over lending to poor countries.

Economic dependence breeds political dependence and Japan's state capital relations with Laos have not only have quite literally kept the lights on in Laos (with the funding of Nam Ngum dam in the 1960s) but have also protected the Communist regime and party-state. Both directly state to state, or indirectly through its international organic intellectual the ADB, Japan has supported the regime in Laos by buffering it against the budgetary consequences of its Communist policies. The Laos government's budget since 1996 when data is available has been funded almost entirely with foreign debt, mostly in the form of 'project loans'; *aka.* foreign aid loans (see fig 9.9). The majority of this debt is multilateral in origin (see fig 9.10), averaging 79 per cent of official foreign debt between 1996-2013, sourced from in descending order of donor disbursement - the ADB, World Bank and IMF. Bilateral loans, representing for the same period on average 21 per cent of official foreign debt, have largely been provided solely by Japan. Independent countrywide statistics are difficult to obtain however; the OECD's DAC has been permitted to conduct two countrywide reports on aid and finance in Laos, one in 2008, and one in 2011.⁷²⁸ The most recent 2011 OECD report found that since 2005, aid to Laos has represented 10 per cent of GNI and 86 per cent of government expenses.⁷²⁹ For the prior period of 1994-2001, Syviengxay Oraboune calculates that half of government expenditure and 80 per cent of public investment projects are financed by ODA to Laos.⁷³⁰ By funding budget deficits, deficits created through the corrupt nepotism associated with party control over SOEs in Laos, Japan and other donors have shielded the Laos regime from the sorts of socio-political pressures that would be felt if they were perceived to be unable to deliver goods and services that the Laos public, in their ignorance, associates with the functioning work of the party and Laos state.

A shift has been occurring since 2003 as there appears a decline in the proportion of Laos's multilateralised debt and a simultaneously opposing increase in the proportion of bilateral debt (see fig 9.11). In 2003 there is a recorded jump in external bilateral debt from \$49 million in 2003 to \$499 million in 2004; amounts that have been maintained ever since. Japan's loan amounts had remained fairly steady in the period preceding 2003, and South Korea only began offering aid loans to Laos in 2006 with annual amounts being between \$10-\$20 million. Therefore, they cannot account for the rapid increase in debt. This expansion of bilateral debt in 2003 can only be accounted for by a large enough actor, with an interest in Laos, and which is not a member of the OECD DAC and thereby not required to report ODA loans. Knowing precisely which actor is difficult because coincidentally in 2005 the Bank of Laos halts the

⁷²⁸ A 2006 survey was permitted, but the results not satisfactory according to the OECD.

⁷²⁹ OECD [Online] *Aid Effectiveness 2011: Progress in Implementing the Paris Declaration – Volume II, Country Chapters: Laos*. Available at <http://www.oecd.org/development/effectiveness/Lao%202.pdf> (accessed 16.04.2015)

⁷³⁰ Oraboune, Syviengxay. (2012) 'Industrial Readjustment in Lao PDR: Toward 2020.' In Ueki, Yasushi & Bhongmakapat, Teerana (eds.) *Industrial Readjustment in the Mekong River Basin Countries: Toward the AEC*. Bangkok Research Center, Report No.7. IDE-JETRO, Bangkok, Thailand

itemising of its debt by donor. However it can realistically only be coming from China or Thailand.

9.2.5.2 Indirect Influence

This direct financial power also grants to Japan an indirect, structural level financial influence. Japanese state financial power has not only protected the status quo in Laos, it has also contorted the very nature of the Laos state to suit Japan's regional level priorities. Referring to table 9.4, it is possible to discern Japan's political priorities for its economic aid. The ministry in Laos that receives the most overall aid is the Ministry of Public Transportation (\$69 million in 2012), and Japan provides 45 per cent of that - it is little surprise that the regime in Laos priorities transport infrastructure in its five and ten year development plans. Japan is also the number one donor for the Ministry of Energy and Mines; the third largest donor for the Ministry of Planning & Investment and Ministry of Finance; and fourth largest donor for the Ministry of Agriculture & Forestry and Ministry of Education & Sports. It is almost possible to discern what the national priorities of the Laos government are by which ministries receive the most aid, and therefore which priorities are being driven by Japan (and the ADB). From this ministry level analysis it is clear where the Laos regime's priorities lie, and that these priorities conform to Japan's regional level priorities, i.e.: primarily transport and energy infrastructure, and not necessarily the priorities of the Laos people. Despite JICA brochures proclaiming how much social development is being invested in with regards to Laos, with health especially being a priority, Japan is not in the top five donors to Laos's Ministry of Health.

In addition to influencing institutions as they are, Japan's financial power also allows for the reform of institutions that better reflect a preferred worldview. That worldview, the GMS worldview, has privatisation and banking reform high on its list of priorities for a Communist state such as Laos. In 2002, the ADB issued a countrywide policy recommendation for Laos that would offer technical assistance and a loan - a Banking Sector Reform Program (BSRP) loan - with the goal of bank re-structuring.⁷³¹ It would be hasty to draw too strong a causal link between the two, but in the following year, Lao May Bank (LMB) and LaneXang Bank merged to become the now largest state bank in Lao - the Lao Development Bank (LDB). The LDB has gone on to become a preferred financial partner for the Japan Finance Corporation, a Japan based SOE that functions to encourage Japan's SME sector to venture abroad; one of JICA primary policy goals at present.

9.2.6 Trade

Having for so long existed as the 'hermit country', it is little surprise to note that Laos's trade relations are less than fully developed. With the Pathet Lao disconnecting the country from the Western Cold War camp, joining the Soviet world order's CMEA, only to then within half a decade begin liberalising, the country has few significant independent trading relations. Slow rates of change, despite the NEM, have meant that volumes of trade at all levels - sub-regional, regional and global - have been low, with significant growth only from around 2004 that have also led to expanding trade deficits at all levels (see fig 9.5 & fig 9.6). Unlike fast to neo-liberalise Cambodia, Laos's main trading partners are still its neighbours, and Thailand has consistently been Laos's primary export destination and importer of products since the 1970s (see table 9.7). Looking below Thailand, an important shift occurred in the structure of Laos's trade pre and post Cold War. During the early 1970s, 1980s, and part of the 1990s, imports from Japan constituted Laos's second source of foreign trade, followed by either the US or Singapore. However halfway through the 1990s and continuing, imports from China and Vietnam have risen to greater prominence. Laos's exports, such as they are, demonstrate an overall more diversified picture but Laos's main export destination remains Thailand, with China and Vietnam in second and third place.

⁷³¹ ASIAN DEVELOPMENT BANK (2002) *Report and Recommendation of the President to the Board of Directors on a Proposed Loan and Technical Assistance Grant to the Lao People's Democratic Republic for the Banking Sector Reform Program*. Available at <http://www.adb.org/sites/default/files/project-document/70867/rp-lao-33359.pdf> (accessed 18.04.2015)

The composition of Laos's trade fits Laos's particular developmental position and natural endowments. The country is exporting raw materials - largely copper, wood and mineral fuels; and importing refined or semi-manufactured products - largely oils and distilled fuels, or machinery and electrical equipment (see table 9.8). Japan's exports to Laos accord with Laos's global level imports - vehicle, machinery and electrical goods, but imports from Laos fall less in line with the interests of other economies, with wood but mainly consumer goods being sought from Laos, particularly apparel (men and women's jackets mainly) in addition to coffee. However, in terms of priorities, Laos is far down Japanese trader's priorities. While Laos imported \$60 million of electrical equipment from Japan for the period 2001-2013, Thailand imported \$43 billion worth of electrical equipment. The general picture that emerges is of a Laos that is far from integrated into global free trade, with WTO membership only coming in 2013.

9.2.6.1 Direct Influence

Japan's ability to directly manipulate bilateral trade relations with Laos are limited due to there being no bilateral EPA or FTA in place. Rather, Laos accesses Japan's market through the framework of ASEAN, and the AJCEP (ASEAN Japan Comprehensive Economic Partnership). Therefore, Japan cannot focus on one (Laos) without dealing with the whole (ASEAN). There are however some backdoor arrangements that offer potential channels of influence. When ex-general Chatichai Choonhavan came to power in Thailand in 1988 proclaiming the need to change Indochina 'from a battlefield to a market place', one result three years later was the Laos-Thailand Preferential Trading Arrangement (1991). Already Laos's top trading partner for decades, this early piece of free trade architecture allows Japan's traders in Thailand an albeit limited preferential tariff support when trading with Laos. The signing in March 2015 of a Laos-Vietnam FTA creates another side door opportunity outside of the ASEAN level free trade regime for a growing Japanese business community in Vietnam. As the layers of rules, details and paperwork increases, it creates greater asymmetric advantages to those states that have the largest ministries, i.e.: those economies with the greater number of (English speaking) lawyers, administrators, and analysts. This gives Japan and other large powers trading with Laos, an extra level of institutional influence, as they are better able to monitor process and complain when tariff details and schedules have not been followed.

Japan's notion of a micro-growth triangle in the form of the Cambodia-Laos-Vietnam Development Triangle Area (CLV-DTA) is also important here. Within this transnational trade triangle, and alongside the more Thailand facing 'Emerald Triangle', Laos's trade patterns and politico-economy can be inter-twined with its neighbors. Japan, mixing the material with the institutional and ideational led to direct material incentives in the form of ODA and publically supported private initiatives to 'node' Laos trade and investment into Japan's CLV-DTA priority. This has meant encouraging a shift from the Laos regime towards:⁷³²

- Increasing 'connectivity' (approving East-West corridor tracking motorways, and prioritising public investment towards provincial roads which are poor in the south of Laos).
- Approving greater dam building in the south that will act as driver for further power hungry foreign investment (such as mining or plantation development, both of which offer greater potential in Laos's south, with Japan particularly interested in the coffee trade).
- Developing high growth border towns between Thailand and Laos's southern regions (Kaysone Phomvihane in Savannakhet Province and Pakse in Champasak Province)
- Expanding and better promoting the Thailand adjacent Savano-Seno SEZ.

⁷³² Nolintha, Vanthana. (2011) 'Cities, SEZs and Connectivity in Major Provinces of Laos.' In Ishida, Masami (ed.) *Intra- and Inter-City Connectivity in the Mekong Region. Bangkok Research Center Research Report No. 6.* IDE-JETRO: Bangkok, Thailand. Available at http://www.ide.go.jp/English/Publish/Download/Brc/pdf/06_chapter4.pdf (accessed 12.04.2015)

9.2.6.2 Indirect Influence

Japan's capacity to influence Laos's trade relations indirectly is partially in evidence, i.e.: through the establishment or influencing of a regional trade order and the drawing of Laos's political-economy into conformity with its norms and arrangements. In many ways, the dynamics faced by Laos in this regard are identical to those of Cambodia, as outlined in the previous chapter. That is, the myriad and often competing layers of trade order arrangements that Laos is being presented with (see below, table P).

Japan's support of the pan-regional TPP deal, which contrasts with a China backed Free-Trade Area of the Asia Pacific (FTAAP) deal, means that political alignments are also underlying Japan's trade relations with Laos. Given the slow and uneven progress within ASEAN towards the 2015 goal of reaching the AEC, any wider trade groupings are likely impossible for the near future and Laos's trading fortunes will remain intimidated linked to a Japan friendly ASEAN FTA framework. Consent towards this from Laos's elites has already been achieved. In the words of Laos' Minister of Industry and Commerce, Nam Viyaketh, are considered. Speaking in 2006 about the notion of the ASEAN FTA, he said: "The way to prevent economic hegemony and preventing rich countries from pressuring poor countries is through strong economic cooperation. We have good relations with Japan and the FTA will not only benefit Laos but ASEAN as a whole".⁷³³ Implicit within this statement is the fact that, (1) Japan has convinced them of the notion that the ASEAN FTA is not only economically beneficial and in terms of political self-survival, a prudent investment; and (2) that Japan is not one of the 'rich countries' able to operate 'economic hegemony' and 'pressuring poor countries'. Hegemony has been achieved when the subject has lost the notion of subject and believes they are master.

⁷³³ Bilaterals.org [Online] 'ASEAN can thwart economic hegemony through FTA, says Laos', August 20th 2006. Available at <http://www.bilaterals.org/?asean-can-thwart-economic-hegemony&lang=en> (accessed 23.04.2015)

Table. P Laos's Multi-layered Potential Trade and Tariff Regimes

| | |
|--|---|
| Global ⁷³⁴ status: established | * WTO (2013 joined) - All goods (2012 applied): bound (18.7%), applied (9.7%) Agriculture: bound (19.2%), applied (19.5%) Non-agriculture: bound (18.7%), applied (8.2%) |
| Pan-Regional Status: negotiating | * Trans Pacific Partnership (TPP) (US backed) ⁷³⁵ - 0% tariffs OR * Free-Trade Area of the Asia Pacific (FTAAP) (China backed) OR * Regional Comprehensive Economic Partnership (RCEP) ⁷³⁶ - 0% tariffs |
| Regional (East Asia) status: established | * Asia Pacific Trade Agreement * East Asia FTA (ASEAN+3) * Comprehensive Economic Partnership for East Asia (ASEAN+6) |
| Regional (Southeast Asia) ⁷³⁷ status: in transition | * ASEAN Free Trade Area (AFTA), Common Effective Preferential Tariff (CEPT) (1992, Laos grandfather clause - 2008) - 66% of tariffs currently reduced to 0-5% into.... * ASEAN Economic Community (AEC) (due 2015, Laos grandfather clause - 2017), 0% tariffs (Laos grandfather clause - 2017) |
| Sub-regional status: in transition | * Greater Mekong Subregion (GMS) and 'Economic Corridors' |
| Regional-Bilateral ⁷³⁸ status: in transition | * ASEAN-Japan Comprehensive Economic Partnership Agreement (in effect, 2008) - Reduce 40% of customs tariffs to 5% by 2023, and eliminate 90% by 2023 |
| Bilateral status: established | * Laos-Thailand Preferential Trading Arrangement * Laos-Vietnam FTA |

Source: author

Free trade is of course not actually 'free'. It is managed, and managed by those politico-economies such as Japan with the greatest power, expressed quite neutrally enough through the banality of institutional prowess - legal professionals familiar with the above overlapping projects, bureaucrats with the linguistic and diplomatic skills to attend all meetings and attend them well, and institutions domestically that can adequately transmit international fiats into localised standards. Japan's army of administrative officials headquartered in Tokyo's *kasumigaseki* ward can do this; Laos's can barely, if at all, manage their own country, with new legislation not disseminated nation-wide, nor well understood by bureaucrats or civilians.⁷³⁹

⁷³⁴ WTO [Online] *Laos: Country Profile*. Available at

<http://stat.wto.org/CountryProfile/WSDBCountryPFView.aspx?Language=E&Country=LA> (accessed 16.03.2015)

⁷³⁵ ASEAN plus Pacific Rim (ASEAN plus US, Singapore, Brunei, Malaysia, Vietnam, Japan, Peru, Canada, Mexico, Chile, Australia, New Zealand and Taiwan)

⁷³⁶ ASEAN plus Six ASEAN-Bilateral FTAs collectively (India, Australia, New Zealand, China, Japan, South Korea)

⁷³⁷ ASEAN [Online] *ASEAN Free Trade Area*. Available at <http://www.asean.org/communities/asean-economic-community/category/asean-free-trade-area-afa-council> (accessed 16.03.2015); Chia, Siow. Y. (2013) 'The ASEAN Economic Community: Progress, Challenges, and Prospects'. *Asian Development Bank Institute*, No. 440. Available at <http://www.adbi.org/files/2013.10.25.wp440.asean.economic.community.progress.challenges.pdf> (accessed 16.03.2015), p16

⁷³⁸ MOFA [Online] *Agreement on Comprehensive Economic Partnership among Japan and Member States of the Association Of Southeast Asian Nations, Annex 1: Schedules for the Elimination on Reduction of Customs Duties, Section 1: Notes for Schedule of the Lao People's Democratic Republic*. Available at <http://www.mofa.go.jp/policy/economy/fta/asean/part5.pdf> (accessed 16.03.2015)

⁷³⁹ Bertelsman Stiftung [Online] *Laos Country Report 2014*. Available at http://www.bti-project.de/uploads/tx_itao_download/BTI_2014_Laos.pdf (accessed 20.04.2015)

9.3 JAPAN, LAOS AND HEGEMONY II: INSTITUTIONAL POWER

9.3.1 Exogenous and Endogenous Institutional Influence

Laos has been dependent on external actors for most of its modern history. Since the currently in-power Communist regime, Laos shifted from a Communist USSR world order quickly into the form of state-led capitalism being also practiced by China and Vietnam. As detailed in appendix 9.1, Laos's Communist policy agenda since 1975 has moved through three phases (first - centrally planned; second - the new economic mechanism; third - regionalisation and globalisation). Each time various three to five year plans have been formulated, with period three moving towards setting longer term five, ten and twenty year agendas resulted in the current goal of graduating from LDC status by 2020. Principal exogenous influences on each of these shifts and economic development plans have been the World Bank, ADB and Japan.

These actors have then gained institutional influence within Laos. Between 1976-1985, all foreign economic assistance was channelled through the omnipotent State Planning Committee. A secretive institution, it had close ties to Vietnam and the USSR, and later China; foreign (Western) bi-lateral and multi-lateral donors had difficulty accessing this institutional black box.⁷⁴⁰ After the New Economic Mechanism (NEM) exogenous institutional influence entered from the Western world order and the State Planning Committee architecture would reform. The regime performed these reforms piecemeal, new law by new law, however in March 1996 the institutional structure managing Laos's aid, development and foreign investment was significantly altered. All donors and recipients were to channel communication through the Committee for Investment and Foreign Economic Cooperation (CIFEC). The CIFEC would route these communications to the Prime Minister's office. A Foreign Assistance Management Committee (FAMC) and Department of International Economic Cooperation (DIEC) jointly served as secretariat. To improve aid co-ordination and monitoring system involving the use of databases and cross departmental sharing of staff. In November of the same year another change meant that most bilateral aid and NGO aid would be handled by the Ministry of Foreign Affairs, while Vietnamese and Chinese aid would continue within the State Planning Committee. In effect, what was being created was a two track institutional system that would preserve Vietnamese and Chinese influence at the upper levels of the Laos elite, while creating a periphery institutional tier that other national donors and investors could work through. The State Planning Committee later became the Ministry of Economy, Planning and Finance, then the Committee for Planning and Cooperation, then the more centralised Committee for Planning and Investment (CPI) that reported to the Prime Ministers Office, until its contemporary incarnation, the Ministry of Planning and Investment (MPI).

Multilateral and bilateral actors such as Japan, suspicious of lingering ex-Communist bloc country influence at the MPI have taken to attempting to open up and create alternative institutions. The creation of the 'National Roundtable Process' (NRP) within the Department of International Cooperation (DIC) of the MPI, and the creation of the Public Investment Program (PIP) represent attempts by multilateral donors to open up how the MPI formulates policy and projects, and then how funding is allocated. In addition, through various phases of its 'Project for Capacity Building in Public Investment Program Management' (PCAP 1 - 2004-2007; PCAP 2 - 2008-2011; and PCAP 3 - 2012-2015) Japan has funded the same sort of technical cooperation that Vietnam assumed with the Ishikawa Mission. The standard objectives prevail - attempt to influence five and ten year plans, alter or create investment laws, etc. However, progress has been slow. Laos's laws often contradict each other and investors are left muddled.

A solution appears to be shift focus from the centre to the periphery. It was outlined in chapter five how Laos can barely be classified as a fully functioning centralised nation-state. The MPI itself is very weak and unable to properly monitor all activity within Laos's territory. The ministry only maintains information on 5-9 per cent of all projects in the country and holds no

⁷⁴⁰ Phraxayavong, Viliam. (2009) *History of Aid to Laos: Motivations and Impacts*. Thailand: Mekong Press

information at all on small and medium size investment projects (less than \$3 million of investment),⁷⁴¹ meaning that so long as the foreign investor keeps projects under the boundary they will receive no central state scrutiny at all. Authority over even large-scale projects is doubtful as well, as this researcher can personally attest to when refused entry to the controversial Xayaburi Dam despite having personally authorised credentials from Director General of Laos's Ministry of Energy and Mines.⁷⁴² Aided by a decentralisation agenda that began with the March 2001 Laos Prime Ministers Decree 46 which created CICs (Committee for Investment and Co-operation), Japan is likely shifting focus towards Laos's southern regions and exogenously attempting to influence local CICs rather than the slow moving central government.

9.3.2 Formal and Informal Institutional Influence

From the 1995 Forum for the Comprehensive Development of Indochina (state level) and 1996 Task Force for Strategies for Development of the Great Mekong Area (corporate level) Japan began formerly attempting to institutionally influence Laos. Like Cambodia, Laos was pulled along in 'latecomer' ASEAN groupings rather than as an individual country, firstly through Japan's endorsement of the Mekong River Commission (formerly Mekong Committee) and later the 2000 Initiative for ASEAN Integration (IAI) and 'Narrowing the Development Gap' (NDG). Laos's lack of progress led to the Koizumi administration's promulgation of the CLV development triangle area concept in 2004 and the Japan-ASEAN integration fund in 2006; further attempts to bridge the gap between Laos, its neighbours and ASEAN. After Japan's supporting of Laos's joining most of the Bretton Woods institutions and ASEAN, Japan began to use the GMS concept to build CLV-Japan bilateral meetings, then developed into Mekong-Japan bilateral meetings. In such a way, Japan has utilised regionalism and multilateralism to eventually snare Laos into bilateral politico-economic bonds of institutional connectivity; all incentivised by multiple aid packages.

These multiple channels of connectivity are complemented by internal channels of informal influence. 'The Committee', the Aid Management Platform, and Lao-Japan Public and Private Sectors Joint Dialogues are all means through which informal influence can be extended into Laos's institutions. Some of this can be very forceful, for example the request from Japan's private sector to essentially have complete access to all internal processes and documents of the Laos state, in English, on websites and preferably in 'E-Government' form.⁷⁴³ With informational/language differences bridged, Japan's private sector no doubt desires to enhance its informal position of influence in a country where Laotian speaking Chinese, Thai, or other local business actor is able to operate comfortably in the local language.

9.4 JAPAN, LAOS AND HEGEMONY III: IDEATIONAL POWER

9.4.1 Regionally Oriented Ideas: Laos ⇄ GMS

The regime in Laos has branded itself - 'Laos: Land of Ample Opportunity and Success'. The encouragement of the GMS business concept means opening up trade and investment to foreign investors, but with little to offer in terms of its people's skills and labour, the regime is turning to its own land. This process, what Holly High calls 'resourcification' and which has transformed the Communist regime into a 'resource-development regime', has led to a coalition between Laos elites global capital intent on commodification of the land, the water and whatever may reside beneath them or depend on them.⁷⁴⁴ Ian Baird interprets the trend as evidence of the establishment of a process of primitive capital accumulation, whereby not only

⁷⁴¹ Deland, Claudio., Toro, Matthew., and Charlet-Phommachanh, Marieke (2013) 'Coffee, Mines and Dams: Conflicts over Land in the Bolaven Plateau, southern Lao PDR'. *The Geographical Journal*, Vol. 179, No. 2, pp. 150-164

⁷⁴² Mr. Xaypaseuth Phomsoupha - Director General, Dept. of Energy Business, Ministry of Energy and Mines. The visit to Xayaburi Dam was made on September 5th, 2014

⁷⁴³ *ibid*, Embassy of Japan in the Laos PDR [Online] *The Lao- Japan Public and Private Sectors Joint Dialogues: The Third Meeting. The Progress Report of the Action Plan from the Lao Side (04/12/2009)*. Available at http://www.la.emb-japan.go.jp/content/japan_laos_relations/Progress_Report_for_Action_Plan_from_the_Lao_side.doc (accessed 15.03.2015)

⁷⁴⁴ High, Holly (2010) 'Laos: Crisis and Resource Contestation'. *Southeast Asian Affairs*, pp153-161

is land turned into capital but also that ‘indigenous people’ are being turned into ‘local labour’,⁷⁴⁵ a wholesale shift in the socio-economic ideational base of the Laos people.

Much of the natural resources and raw materials development opportunities are to be found in Laos’s flatter, more densely populated, and more fertile southern provinces and, especially since the agriculture sector was opened up to foreign investment in 2005, a rapidly developing trend towards land grabbing is occurring; the product of a regionalisation agenda that calls for everything to be ‘up for sale’. Laos’s sub-national economy is being slowly ‘enclosed’ by a coalition of Laos’s elites and global economic actors, in order to privatise the territory for commodification. Land can be leased incredibly cheaply at between \$3-\$9 per hectare per year,⁷⁴⁶ and Delang *et al* detail how the Bolaven Plateau, close to Cambodia, is witnessing large-scale coffee and rubber plantation construction, bauxite mining, dam construction that is being licensed away by poorly paid bureaucrats and rent-seeking politicians, displacing small scale farmers in the area.⁷⁴⁷ Pinkaew Laungaramsri argues that what is occurring in southern Laos is a condition of ‘frontier capitalism’, whereby foreign economic actors are bypassing far away central authorities in Vientiane.⁷⁴⁸ Japanese companies aided by Japan’s ODA regime are fully active in this ‘frontier capitalism’.

9.4.2 Nationally Oriented Ideas: Laos ⇔ Japan

Just as Japan created the Cambodia-Japan Cooperation Centre (CJCC) for Cambodia, and Vietnam-Japan Human Resource Cooperation Centre for Vietnam, and now multiple examples in Thailand, in 2002 the ‘Lao-Japan Human Resource Cooperation Centre’ was established at the National University of Laos. In 2010, this was ‘upgraded’ to the ‘Laos-Japan Human Resources Development Institute’. Through these civil society institutions, Japan is able to generate much needed nationally oriented ‘mutual understanding’.

One of the original six cooperation agendas of the 1992 GMS project was ‘the environment’. One way this has developed is the recent ideational promotion of a ‘green’ and ‘social’ agenda in relations with Laos. Ostensibly aligning with World Bank narratives surrounding the need for ‘green growth’, forestry conservation, and social development, the Japanese state has shifted its rhetoric in relation to assisting Laos. In 2006 Japan’s assistance policy to Laos lists three priorities: (1) human security and the MDGs, (2) economic growth through infrastructure and private sector development, and (3) capacity development (institution building and legal reforms).⁷⁴⁹ Six years later this had become: (1) development of economic and social infrastructure, (2) agriculture and forest conservation, and (3) improvement of educational environment and human resource development.⁷⁵⁰ This shift towards politically neutralising economic interventions on the part of Japan is then also reflected in Laos’s policy. The National Socio-Economic Development Plan (2006-2010) makes little mention of environmental concerns or a green agenda (except for a reference to cities needing to be more green to be more beautiful).⁷⁵¹ However by the time of the next plan, multiple sentiments are expressed such as the follow: “protect the remaining forests and reforest degraded areas (to make Lao PDR a green country)”.⁷⁵² In 2010, Japan lent material support to this ideational green agenda by

⁷⁴⁵ Baird, Ian. G. (2011) ‘Turning Land into Capital, Turning People into Labour: Primitive Accumulation and the Arrival of Large-Scale Economic Land Concessions in the Lao People’s Democratic Republic’. *New Proposals: Journal of Marxism and Interdisciplinary Inquiry*. Vol. 5, No. 1, pp. 10-26

⁷⁴⁶ *ibid*, Deland et al (2013)

⁷⁴⁷ *ibid*, Deland et al (2013)

⁷⁴⁸ Pinkaew, Laungaramsri. (2012) ‘Frontier Capitalism and the Expansion of Rubber Plantations in Southern Laos’. *Journal of Southeast Asian Studies*, Vol. 43, No. 3, pp 463–477

⁷⁴⁹ MOFA [Online] *Country Assistance Program for Lao PDR*, (2006). Available at http://www.mofa.go.jp/policy/oda/assistance/pdfs/e_laos2006.pdf (accessed 02.04.2015)

⁷⁵⁰ Embassy of Japan to Laos PDR [Online] *Country Assistance Policy for Lao People’s Democratic Republic (Lao PDR)*, 2012 http://www.la.emb-japan.go.jp/download/Country%20Assistance%20Policy%20Eng%202012-2014_final_HP.pdf. Available at 02.03.2015)

⁷⁵¹ Government of Laos [Online] *Socio-Economic Development Plan (2006-2010)*. Available at http://www.moe.gov.la/laoesdf/background_docs/Eng/NSEDP_Eng.pdf (accessed 02.03.2015)

⁷⁵² Government of Laos [Online] *The Seventh Five-Year National Socio-Economic Development Plan (2011-2015)*. Available at http://www.la.undp.org/content/dam/laopdr/docs/Reports%20and%20publications/LA_7th%20NSEDP_Eng.pdf, p. 92.

announcing the 'A Decade toward the Green Mekong Initiative'.⁷⁵³ Arising out of significant criticism from international NGOs, especially Oxfam Australia, a close inspection of the plan reveals slightly different language but all of the main aims of the GMS project still intact.

This wordplay, the 'green-washing' of environmentally impactful practices, is indicative of a contradiction at the heart of the GMS project - economic development requires infrastructure and large-scale energy development, but simultaneously there is also the concern to be respectful of nature and conservation. Mindful of the enormous environmental impact that hydropower development has (and the controversy raised by international NGOs), the World Bank, ADB, and Japan have taken to re-classifying hydropower projects as 'renewable energy', thereby shifting them from the traditional category of 'infrastructure' into the green washed category of 'green energy'. For this reason, much of the JICA literature related to energy investment has moved away from talking of 'infrastructure development' and more towards 'energy efficiency projects', 'green investment projects', or 'renewable energy efficiency. Many of the projects are the same as has been done for decades; some may indeed involve the use of technologically superior and cleaner equipment. However the use of green wash in such a way can normatively neuter any political sensitivity risen by dam building, and also provide a counter ideational narrative to the more 'rapacious', 'dangerous' or 'environmentally damaging' dam building so often associated with Chinese investment in the sector in the Laos north. Japan's influence in the energy sector of Laos thus benefits from an internationally legitimised 'ethical' agenda.

9.5 CONCLUSION

In summary, this chapter began with an assumption about Laos PDR as a loose nation and a weak state. The LPRP may have gained hegemony over the Laos state, but that state was weak to begin with, depending as it did on years of foreign interventions that treated Laos as a hinterland addendum to their own authority. Laos' modern history demonstrates a high degree of division - among the elite, among the differing and copious ethnic groups, and among the perceived directions or world orders that Laos is a member of. With this in mind, the chapter then moved to describe Laos's political-economy as equally dysfunctional and equally dependent on others for direction and support. With these features in mind it is best to regard Laos's economy as operating in two halves, reflecting long established socio-political divisions between an elite southern Lao Loum majority population and various subordinate groups often located in the north. Lao's northern economy linked as it is to Vietnam and China, and Lao's southern economy linked much more closely with Thailand is the starting point from which interpret Laos's international relations.

Into this dynamic steps Japan, a long time power in Laos that has utilised a familiar profile of economic power dimensions to generate institutional and ideational imperatives for Laos to follow. This influence is however tempered by the multiplicity of other actors operating in Laos, limitations in dealing with Laos' regime, and geographical features of Laos in relation to Japan's GMS motivated strategy. In aid, Japan is able to extend direct aid effectively, both in terms of volume and in proxy with Thailand. However in structural terms, Japan's ability to reform Laos institutions away from its old Soviet architecture and Cold War allies, and towards a more transparent platform, have been met with mixed success. In terms of energy, Japan has been the handmaiden of Laos's main development priority - hydropower, and historically developed the only large-scale energy infrastructure in the country. However, in direct power terms this has declined in relative terms to investments from Thailand and China. In communication, Japan's hegemony is in full effect, both in direct and indirect capacities. Able to create East-West connectivity but deny North-South connectivity, Japan's communicative agenda is permitting Lao to move from 'land-locked' to 'land-linked'; only in directs that are preferable to Japan's regional Mekong strategy. In production terms, direct productive power is low, due to the overall shyness of FDI in Laos and the lack of investment from Japan's private sector. However, a developing indirect power trend is to combine communicative power with

⁷⁵³ MOFA [Online] *Action Plan for 'A Decade toward the Green Mekong' Initiative*. Available at http://www.mofa.go.jp/region/asia-paci/mekong/summit02/gm10_iap_en.html (accessed 14.03.2015)

production power and generate development within Laos's southern provinces. This affects upon trade also. While low in overall terms, Japan's hegemony is in effect through the use of 'development triangles' to develop intra-regional trade, and Japan's ability to guide ASEAN regionalisation in a Japan-centric direction. Finally, in relation to finance, Japan's direct power evident in historical and contemporary terms. ODA capital directly from the Laos state and indirectly through the ADB has funded the government of Laos, the Bank of Laos and the general monetary system of Laos. If no such support was given, the Laos' politico-economy would likely collapse. Indirectly however, the regime holds stubbornly on to its state owned banks and state owned enterprises. Reforming these features of Laos's finance sector are slow in coming.

In conclusion, Laos is slow to adapt to the GMS project and Japan's prioritisation of Laos runs accordingly. However, given Japan's strategic intra-GMS interests towards East-West connectivity, developing a sub-national level hegemony may be enough to generate the necessary developments that enable region-wide GMS plans to go ahead. In this, circumscribed regard, Japan's hegemony in Laos increasingly looks to have been achieved.

10.0 CONCLUSION

This dissertation was a study of power in Japan's regional international relations. The assumption was that, far from a reactive state or economic giant/political pygmy, Japan's international relations expressed in politico-economic power terms, demonstrate a high degree of proactivity and strategic vision. This strategic vision involves the operation of hegemony in dealings with the Mekong River Basin Countries (MRBCs). To discern these expressions of power, a second assumption was made - that contemporary international relations are limited if studied through the lens of mainstream Realist and other mainstream theories. Instead, within the framework of a Gramscian/Coxian approach to hegemony, a wider view of power opens up. A view that includes material power, but also institutional power and ideational power; in addition to a consideration of how world orders, forms of state and domestic class configurations, also enter into a consideration of power operated in Japan's contemporary international relations. From these assumptions emerged a thesis: that Japan had developed a 'world order' (at the sub-regional level) - the Greater Mekong Sub-region (GMS) - and is using it, coupled with significant bilateral influence, to garner the necessary acquiescence from Mekong River Basin Country (MRBCs) elites to shift national policies in ways that align with this regional strategy.

To pursue this thesis a mixed methodology was used that involved interrogating both formal and informal channels of influence between Japanese elites and the local elites of the Mekong River Basin Countries. Having felt that Critical analyses of political economy can on occasion suffer from an overly long-term and historical methodological leaning, this study dared to rely on historical example, but also descriptive statistics and in-situ interviews with elites active in the region. This employment of modern research methods in combination with Robert Cox's theoretical framework for political-economy has hopefully opened up space for similar methodological endeavours that desire to use the conceptual tools of Critical theory but also desire to 'get out of the library and into the real world'. These methods also served a direct theoretical purpose. Cox's division of power into material, institutional and ideational power channels are markedly inter-related. However example where and how they crossover is not fully enunciated. By pursuing the methods used in this study, the attempt was made to locate where the crossovers are located. For example, when Japan provides ODA to a country, the exact amounts and changes are often noted, and then conclusions supposed. However this does not reach for the *why* or the *how* question, i.e.: what is the qualitative nature of that transaction in addition to the quantitative. By combining primary level descriptive statistical methods with field research based interviewing techniques, it becomes possible to locate where the provision of ODA has a spill-over potential into Japan's institutional manoeuvring within the host country; often even directly within the host country's political institutions. This combination of the quantitative with the qualitative justified the theoretical appropriateness of utilising Critical theory, with rigorous research methodologies, and used in relation to Area Studies, Japan Studies and East Asian regionalisation.

To answer the headline question of this thesis: 'hegemony in the making or hegemony already made?' the hammer must fall on the latter proposition. Japan's political-economy, even Japan's understanding and operation of capitalism are different to the liberal world order in which Japan operates. This is not to suggest one as being superior to the other, but what Japan is not is Liberal in the Anglo-Saxon understanding of the concept. Much of Japan's modern history has been situated within a historical series of modes of production that are aligned more closely with what state capitalist model, this has seen Japan pass through various forms of state as the prevailing world order has shifted; passing from fascist corporate to neo-mercantilist to state capitalist, while the liberal model passed from welfare nationalist to nep-liberal to hyper-liberal forms of state. This differences leads to a great deal of debate among scholars as to whether Japan is abnormal, normal or 'normalising'. What many do not reach for is this deep and long-term trend in Japan's modern history - initiated with the Meiji oligarchs alignment with a Prussian/German model for state and politico-economic organisation of relations - that creates a form of state in Japan continually at odds with the prevailing world order; either pax Britannia or pax Americana. The dissonance created is what often underlies a great deal of the abnormal,

normal or 'normalising' debate on Japan. Japan of course does functionally quite different to most states; the country's peace constitution is probably the biggest example of this; although only because it was imposed upon Japan, as many examples exist of countries renouncing war. However these functional distinctions do not fully explain the true nature of Japan's distinction in international relations. Japan, as indeed most countries in the world, is not only singularly unique due to its personal historical trajectory; it is also unique in terms of the historical pathway of its politico-economic mode of relations.

This dissonance not only leads to debates about how to characterise Japan's international relations, it also leads to a narrowing of the lens through which to interpret Japan's foreign relations. Often the label of a 'passive state', a 'reactive state' or 'economic giant/political pygmy' is used to denote a Japan that is stalled and even on decline. However this does not square with the historical modes of production that mark out Japan's modern, nor does it square with Japan's medieval history where a great deal of internationalism is evident. Japan may be constrained by its domestic frameworks, and internationally constrained usually by its *nichibei* partner, but this does not fully suppress the internationalist, activist, and strategic energy deeply laden in Japan's historical DNA. Just as Germany exited WWII and has now risen to be the implicit leader of the European project, Japan desires to play a similar leadership role in East Asia. Various attempts have been cited from the 1980s and 1990s when Japan attempted to criticise the prevailing order and offer alternatives that would have involved a stronger role for itself as regional leader, with all being rebuffed either by the US or the Bretton Woods institutions. As a result, Japan has opted to settle for extending its influence under the cover of its regional organic intellectual - the Asian Development Bank, and to create complex webs of multi-tier elite relations that internationalise the Japanese state into host states while simultaneously transforming them 'from above' through the operations of the ADB and occasionally in consort with the other Bretton Wood institutions. Such a transmogrification of economic power into political influence has found greater resistance in Northeast Asia due to the heavily politicised nature of historical memory with China and South Korea, and so since the 1970s Japan began turning to Southeast Asia to carve out a regional leadership role. The GMS is one of embodiment of that.

Far from a naturally occurring phenomenon, the GMS is a market-driven outgrowth of the 1950s UN initiated resource-sharing attempt at managing the Mekong River. Now, the mode of production has shifted. Instead of natural resources and political deal making, the paradigm is one of marketisation, commodification and integration. The GMS is not a bottom-up creation resulting from the interests of the individual Mekong states. It is a politico-economic construction that began during the 1970s with a great deal of support from Japan, and only in the post-Cold War period did it become legitimised into its present form. Prior to its formal declaration in 1992 by the Asian Development Bank, Japan's public-private coalition was endeavouring to settle political problems in Indochina and attempting to build markets and production bases there. The full Communist takeover of Indochina in the mid-1970s halted that endeavour, and only in Thailand was Japan's economic power allowed to have a full breadth of development. The results of that early intervention are clear. Thailand has been terraformed into the 'Detroit of Asia' and the country's entire politico-economic orientation altered. When Vietnam, Laos, and slightly later Cambodia, decided to convert to state capitalism as China had done in the early 1980s, Japan stood ready with technical assistance and rafts of lessons learnt from Thailand to quickly apply. The result was a bottom up re-adjustment of each of those countries institutional, ideational and material relations of production in order to accord to a wider strategy - sub-regional and regional integration. The GMS was extended over them as a roadmap, and all the necessary advice and material resources supplied. Rather than a 'catalyst' as some of the business or liberal economic literature on the GMS surmise, the correct way to interpret Japan's role is not as the spark of pre-existing forces, but instead in a Polanyian sense of the social construction of a new economic system.

The notion of the GMS as a world order to be aligned towards was a long-term project from the outset, in addition to being both an end in itself but also a means to an even longer-term goal. Japan's support for the latecomer Indochina states involved their reform towards a form of

capitalism suitable to Japan's needs and their simultaneous integration into Japan's Fukuda Doctrine desires for a united ASEAN. Once the individual countries had been reformed, joined, and integrated, Japan then began attempting to regionalise the GMS into ASEAN. This integration was aided with the ideational addition of various mechanism to node, dissect and cross-connect the various sub-national parts of the MRBCs necessary in order to achieve full and complete GMS 'connectivity'. 'Development triangles', 'economic corridors' and 'investment zones' were added to the already complicated pot, in order to failsafe against any forms of regression as had occurred during the Cold War. This process that began in the 1970s and has run through into the contemporary period represents Japan's hegemonic project as end in itself - to create the GMS. However once created, such a unit serves longer-term strategic objectives.

From the turn of the millennium Japan began to shift its focus from a 'multilateralised GMS' towards a 'bilateralised GMS' that increasingly became increasingly connected to Tokyo rather than Manila. This is the state of affairs that the project currently resides in; a state of affairs fully understood by China and attempting to be challenged utilising many of the mechanisms of hegemony that Japan has been utilising. Arguably whatever competition for influence that exists between Japan and China in Southeast Asia and the Mekong region does not stop at the narrowly material; it is at the level of hegemony that the competition must truly be appreciated. In addition to extending its longer-term political influence with the construction of the GMS regional project, it also serves longer-term economic objectives. Plans to cross the Thai peninsula to deal with the 'Malacca problem' never resulted in actualisation, however with the Mekong region connected, a host of alternative economic systems become possible; from oil and gas pipelines to transport energy inter-regionally from Africa or South Asia into East Asia, to alternate production chains and logistics systems aided by Asian Highway and ASEAN Highway plans that all intersect at the Mekong peninsula. Japan's economic activities and political priorities clearly accord with such wider term visions, and it is for this reason that the operation of hegemony that is resulting in the connecting up of the Mekong peninsula is not only a project intended for its own ends; Japan has a longer and wider strategic vision in place and is attempting one of the largest social, economic and political transformations since the end of WWII.

There is not likely any 'smoking gun' that would prove such a conclusion but there does not need to be. Just as Karel van Wolferen noted that Japan rarely demonstrates any clear power centre and yet systems appear hierarchically able to control their members; and just as Brian McVeigh noted how Japan's society and its institutions operate a dual system of 'rationality and ritual' that allows systematic and repeated results despite there often being no single actor directing them, Japan's hegemony within international affairs also does necessarily require top down command. And yet, as has been examined here, when individual projects, individual public statements and policies, and individual events, are all tallied and catalogued, trends and pictures nonetheless emerge. Japan's ODA is not being directed randomly and neither for example is how regional production chains are developing or where energy project locations are being sited. There is a process that can be charted. That process, it is argued here, is one that demonstrates a wide scope of vision, and a long-term patience in the pursuit of its achievement.

The GMS is the regional project however each of the individual MRBCs and their relations with Japan demonstrate personalised and individualised relations of hegemony even within such a regionally overarching project. Japan has gained in each MRBC case by the forms of state, albeit representative of differing regimes and ideologies, all being highly authoritarian.

In Thailand, the 'network monarchy', Japan has been able to take advantage of a politico-economy dominated by military junta after military junta, each ideologically held in place by an aristocratic elite and ideologically symbolic king. This aristocratic elite combined with a bourgeoisie elite that has military ties, worked to modernise Thailand into a new historic bloc that held them in control of the new wealth and power of a capitalist country in a sea of Communist regimes. When truly liberal challenges from students, farmers, trade unions, or even established and widely legitimised popular parties, have emerged this ruling 'iron triangle' (in

Thai terms) has systematically stamped it out. Into this form and state and privileged class controlled politico-economy came Japan very quickly after WWII. Japan's ODA machine quickly established the 'ODA escalator' in the 1950s whereby aid was used to facilitate the penetration and consolidation of Japanese companies. Aided by pre-WWII military affiliations and a Thai elite that respected Japan's ability to have modernised and remained sovereign, Japan's economic power began with construction companies, then manufacturing companies, then increasingly higher levels manufacturing. Through strategic ODA provision, Japan managed to shift Thailand's institutional and ideational approach to political-economy, most significantly from the change from one form of capitalism (import substitution industrialisation) to another (export orientated industrialisation), in 1972 with the third Five Year Plan; with Japan ever since having a role in the writing of all subsequent Five Year Plans. This enabled Japan's economic power to consolidate and expand in the wake of Japan's own *endaka* re-adjustment. Coupled with the Eastern Seaboard Development Plan, Japan's economic power not only helped to industrialise Thailand but also to integrate the kingdom into the global economy, leading to Thailand's becoming the 'Detroit of Asia'; due in large part to the power of Japanese car and electronics manufacturers. With the GMS program and the re-adjustment of the former Indochina countries, a new hubs and spokes system is evolving from Bangkok based on this economic power position - the 'Thailand Plus One' model, whereby Japan is working to connect production, transport and logistics not only within Thailand but also to satellite sites at border zones in surrounding Mekong countries. Thailand has become to Japan its 'cormorant' for 'fishing' in the Mekong. Through Thailand, Japan is able to introduce new regional objectives, frameworks, and capital which gain greater legitimacy due to their emerging through the Thai kingdom rather than directly from Japan. Furthermore, Japan's efforts in Thailand developed a 'package', a system, a preferred mental map and institutional framework. This 'package' has, it has been argued here, been gradually extended by Japan to the other Mekong economies as part of the GMS project once they have been politically reformed to a certain point.

In Vietnam, that point came in 1986 with Vietnam's *doi moi* (renovation) reforms; reforms that Japan was quietly standing behind of. In reality, Vietnam's *doi moi* reforms had been quietly being attempted earlier than the 1986 announced date, and it was Japanese companies that had desired to remain in Vietnam during both the conflict years and the US embargo years, that helped to negotiate Vietnam's re-opening. Again aided by an authoritarian form of state, this time Communist authoritarian rather than Communist authoritarian, Japan again benefitted from an elite class in control of much of the politico-economic power of the country. This time the elite class was Communist rather than monarchical military, but their desire to dominate the state-society complex was the same. With such a useful partner, Japan set about with the 1996 Ishikawa Project, 're-programming' Vietnam's institutional and ideational priorities, and introducing many of the same mechanisms that had worked so effectively in Thailand. Massive levels of ODA have been provided, with Vietnam being the third highest aided country in Japan's global ODA agenda. The GMS project is vital to Japan's interests in Vietnam. Japan's favoured East-West Economic Corridor (EWEC) and South-South Economic Corridors (SSEC) both stem from central Da Nang and southern Ho Chi Minh City respectively. To cement these in place, Japan has worked to develop sub-national 'trade triangles', with the most developed being the Cambodia-Laos-Vietnam Development Trade Area, pinning Vietnam's Da Nang to northern Cambodia and southern Laos. This allows for the development of the EWEC connectivity. To achieve this Japan's material power has been able to working consort with institutional and ideational influence by gaining privileged access within Vietnam's ministries, developing permanent strands of internationalised state interaction, and being afforded the acceptance of Japan's CLV, GMS, and wider ASEAN integration agenda. Such an interest in Vietnam is not lacking in reasoning. First, with the transformation of Vietnam, the transformation of Cambodia and Laos become easier, and as such, so does the potential of the GMS project. Second, just as in Thailand, Japan is able to operate by proxy in influencing Cambodia and Laos, through gaining a position of influence in Vietnam. Third, Vietnam's position with such connectivity potential in addition to its energy potential means Vietnam offers Japan key strategic economic potential. Fourth, Vietnam's historic animosity towards China in addition to contemporary political discord between the two countries means that

Vietnam is not only a crucially strategic economic interest for Japan, but a strategic political interests also. Fifth, due to this political discord between Vietnam and China, there is the potential to develop a hubs and spokes arrangement similar in nature to the Thailand Plus One system. A China Plus One involving Hanoi as a spoke, or even a Hanoi Plus One system with Hanoi as hub and parts of Laos as spokes, are both potentials that allow for the hedging of risks being encountered in China.

In Cambodia Japan's hegemonic efforts are no less influential, however the nature of Japan's intervention there is different to the previous two cases. Whereas in Thailand and Vietnam, Japan benefitted from authoritarian forms of state, in Cambodia there was barely any form of state after the Khmer Rouge/Vietnam invasion/UNTAC re-construction. Just as in Vietnam, Japan began working from the beginning of the 1980s to 'bring Cambodia in from the cold', and did so by attempting to align competing political factions. Japan's leadership of the UNTAC mission was an extension of these quiet behind the scenes attempts to reform Cambodia for the purpose of future GMS and wider integration efforts. However, Japan's leadership role in the UNTAC mission changed the nature of Japan's traditional extension of influence from *seikei bunri* inspired economic power only, to overt attempts at extending political influence. The result has been a hubristic attempt at building a liberal state upon non-liberal foundations, and the buffering of a warped neo-liberal, single party authoritarian in the form of Hun Sen. Whether this was by mistake or on purpose, Japan has nonetheless gained the same as in Thailand and Vietnam - an authoritarian state willing and able to manipulate their country's future for the sake of world order imperatives. This imperative in GMS terms is crucial, as Cambodia is a bridgeway state that sits astride mostly of the GMS's connectivity agendas; whether in communication, energy or production chain development. To create such new frameworks, large-scale infrastructure projects are necessary that are moving thousands of people from their land in Cambodia. Japan is able to do this with little of the resistance that would emerge from a more democratic country, due to Japan's penetration of Cambodia's state institutions and ministries. In sum, Japan's buffering of an authoritarian but neo-liberal corrupt single party 'democracy' usefully allows for wider GMS priorities to be pursued within Cambodia's territory.

In Laos, Japan's international relations meet a smaller but slower version of Vietnam. Just as in Vietnam, the early penetration by Japan's economic power during the 1950s and 1960s was high; with Japan's interest in hydropower development effectively being the 'handmaiden' of Laos's current hydropower boom and desire to become the 'battery of Asia'. However unlike Vietnam, the strategic interest in Laos was not as potent, and so when the political situation became too difficult due to Cold War conflicts and US economic embargos, Japan's ODA machine and attendant companies were less willing to sacrifice in order to maintain influence in the country after the 1975 assumption to power of the Communist Pathet Lao. Slow to return in the post-Cold War period, the most important economic actors in Laos are Thailand and China, and this presents Japan with unique drivers and constraints in relation to Laos. On the first, Japan's partnership status with Thailand allows influence to be extended into Laos by proxy. However with regards to the second, China's influence in Laos, especially in northern Laos, constrains Japan's ability to import the familiar set of reforms and priorities. The result has been the development of a 'sub-national hegemony'. Instead of focusing on capitals, it is argued here that the GMS project is being overlaid onto Laos to such an extent, that Japan's economic power is being channelled not only towards the 'centre' (Vientiane, where the power brokers are) but also, perhaps even more so, towards Laos's southern regions of Savannakhet and Pakse. Such a prioritisation means side-stepping confrontation with China's economic interests in the north of Laos, and allows Japan to concentrate on the GMS EWEC connectivity agenda which crosses through Laos's southern regions. Moreover, concentrating on Laos's southern regions allows for the better alignment with Laos towards Thailand, Japan's top partner in the region. Able to achieve this through a familiar package of intra-ministry penetration and privileged institutional access, as Japan's material economic power mingles with institutional power that in turn facilitates ideational transformation in Laos, Japan's influence remains a slightly mixed and murky picture due to the lingering influence of those actors from Laos's previous world order alignment - Vietnam and China.

This is not to suggest that in each of these cases counter-hegemonic forces do not exist that represent challenges to Japan. In Thailand, political unrest may at some point cause issues for Japan's economic interests in the kingdom; although to date, the regime has done a fairly successful job of insulating Japan and other foreign investors from the kingdom's socio-political strife. In Vietnam, localism is a hurdle for Japan. Unlike China's centralised Communism, Vietnam's political structure is highly localised at commune levels. There is an old saying in Vietnam: "the king's rules fails against the village rules". Such is still the case in contemporary Vietnam, as local commune political actors are able to halt the national level programs of the regime based in Hanoi. Japan's hegemony in Vietnam is going to continue to be challenged by the need to deal with local resistance, or need to resort to the corruption necessary to work around it. In Cambodia, ironically Japan's hegemony is going to be challenged by Japan's own hubris. By adopting Cambodia as a political project, Japan's usual *seikei bunri* division is more combined than is usually the case. As such, while Japan may spend a great deal of effort attempting to introduce liberal-esque political reforms, Japan's business community shy away from the kingdom as their usual support from the Japanese state is diluted by the albatross around Japan's neck that is the liberal project in Cambodia. In addition is the lingering influence in Cambodia of Vietnam and especially China; a factor that many believe is strong but few can place precisely as to where or how it is in operation. Finally, in Laos, counter-hegemonic forces are emitted again from Vietnam and China's influence within the Laos state, but also simply due to Laos's slow moving attitude to reform. While Japan may desire to encourage the familiar 'package' that only Japan's hegemony can provide, once translated into the Laos context, domestic reforms are slow to come, if at all. This coupled Laos's relatively small economic size means that Japan's hegemony in Laos will most likely continue to focus sub-nationally within Laos's southern regions, rather than expecting national level reforms from the Communist regime in Vientiane.

The process of operating hegemony in each of these cases is not a single track linear process - local factors impact on the process; geo-political competition with China; and firm-level competition, have an impact on Japan's economic power projection. They nevertheless, at present, do not operate on the full spectrum of power that Japan operates. Through combining material power inter-relatedly with institution building or institutional adaptation, and an ideational taxonomy of small ideas up to framework orientation level, Japan is able to alter the domestic orientation and domestic policies of Mekong states and align them with the varying strands of the Mekong project. China's recent forays into regional institution building - to widen China's spectrum of power beyond just capital - demonstrates the validity of this multi-dimensional view of power and the need to employ the concept of hegemony to adequately appreciate it all. This is also necessary to factor in when analyses of China's influence automatically fall back on the simplistic logic of 'power as size'. As the previous chapters have demonstrated, at the economic power level, China's influence may be rising but only in recent years, and along many of the economic power dimensions employed here, still does not fall in parity with Japan's power along each of those dimensions. However secondly, a Critical approach to hegemony reminds us that material power is not enough. Japan's long established role in the Mekong region, has allowed for material power to spillover into institutional influence and ideational development; China's has not. It may in the future, and the current signs from China are that they would like to challenge Japan's multi-dimensional politico-economic influence, however that day is not today. As such, it is secondarily concluded here, since this question was not a main component of the original thesis being pursued here, that claims of China's influence in Southeast Asia and the Mekong specifically, need to be tempered down and a re-appraisal of Japan's long-term but often quiet politico-economic influence needs to be brought more clearly into focus. The development of Japan's hegemony with each of the Mekong states may be at alternative stages of development but the train-tracks have been laid and a familiar package of recommendations and reforms have been offered by Japan.

There is a range of potential tangents that this research endeavour has potentially opened for future exploration. The GMS sub-region is the most developed but not the only sub-regional concept that exists in Southeast Asia. There is also the Indonesia-Malaysia-Thailand Growth

Triangle (IMT-GT), the Brunei Darussalam-Indonesia-Malaysia-The Philippines East ASEAN Growth Area (BIMP-EAGA), and also the inter-regional South-Southeast Asia sub-regional grouping - the Bay of Bengal Initiative for Multi-Sectorial Technical and Economic Cooperation (BIMSTEC). These sub-regional groupings are an important and fruitful way to approach processes of regionalisation and globalisation from the 'bottom-up'.

Continuing with the geo-spatial theme, in addition to investigating the 'unit', i.e.: the sub-region, future research could fruitfully also focus on *intra* sub-regional connectivity. That is, identifying and researching the pinpoints and peripheries on maps that appear unimportant but which are being transformed by transnational rather than national processes of change. In particular, the following loci of transformation have been identified from this research - certain key border towns, transport routes (especially those that do not fit with native historical settlements or geographical constraints), and intra sub-regional trade projects such as 'development triangles' that cross only parts of each nation-state they connect.

A future Critical political-economy endeavour would be to re-focus on institutional or normative power. This analysis has leaned fairly heavily on the material power axiom of Cox's hegemony triumvirate of material, institutional and ideational power. An alternative approach would be to re-focus the emphasis of analysis onto either of the other two conduits of hegemony. In particular, the developing move away from an 'open-ended' ASEAN-isation/Mekong-isation institutions towards regional institutions that are either Japan, or China or Korea, centred. Not only is this occurring sub-regionally with the course of Mekong development being tempted towards a Japan orbit, but with China's creation of the AIIB a regional challenge to the Japan/ADB framework for development has been presented at the regional level. These developments are new, and still developing, but there is undoubtedly a trend developing of alternative worldviews for Mekong states to choose from.

A power related future inquiry would be to explore the notion of 'hegemony by proxy'. An interesting avenue for exploration would be the role the US has in relation to Japan, then in relation to Japan's dealing in the GMS. This research has concluded that a great deal of initiative comes from the Japan side and that Japan's elites are not direct puppets of a 'trickle down' hegemony from the US. However it would be interesting to explore the degrees to which this idea of 'hegemony by proxy' or 'trickle down hegemony' may operate at some times more or less than other times. A second interesting avenue would be to explore the workings of a similar power chain but originating from Japan, i.e.: the degree to which the production of social, economic and political power by some Mekong states is the result of a trickle down hegemony from Japan. In particular, the Japan-Thailand relationship would be the first place to begin in such an endeavour; questioning how much 'cormorant fishing' Japan gets done with the help of Thailand.

In conclusion, from the earliest days of the post-war period, Japan has been actively intervening in Southeast Asia and the Mekong region, attempting to carve out a renewed leadership role for itself along the lines of economic power rather than military power. Through the lens of a Critical understanding of hegemony, the full spectrum of this influence is discernable, and demonstrates Japan's efforts to operate bilaterally with each of the Mekong countries in order to shift their politico-economies into a direction preferable to Japan's interest, but that this process was facilitated by the simultaneous creation of a world order - the Greater Mekong Sub-region - that those states could be aligned with. The open question at this point is the extent to which the current potentially post-pax Americana world order, is freeing up opportunities for Japan to increase its regional leadership desires; and the concomitant challenging to those attempts of a China that fully comprehends what Japan has done - established hegemony in the Mekong peninsula.

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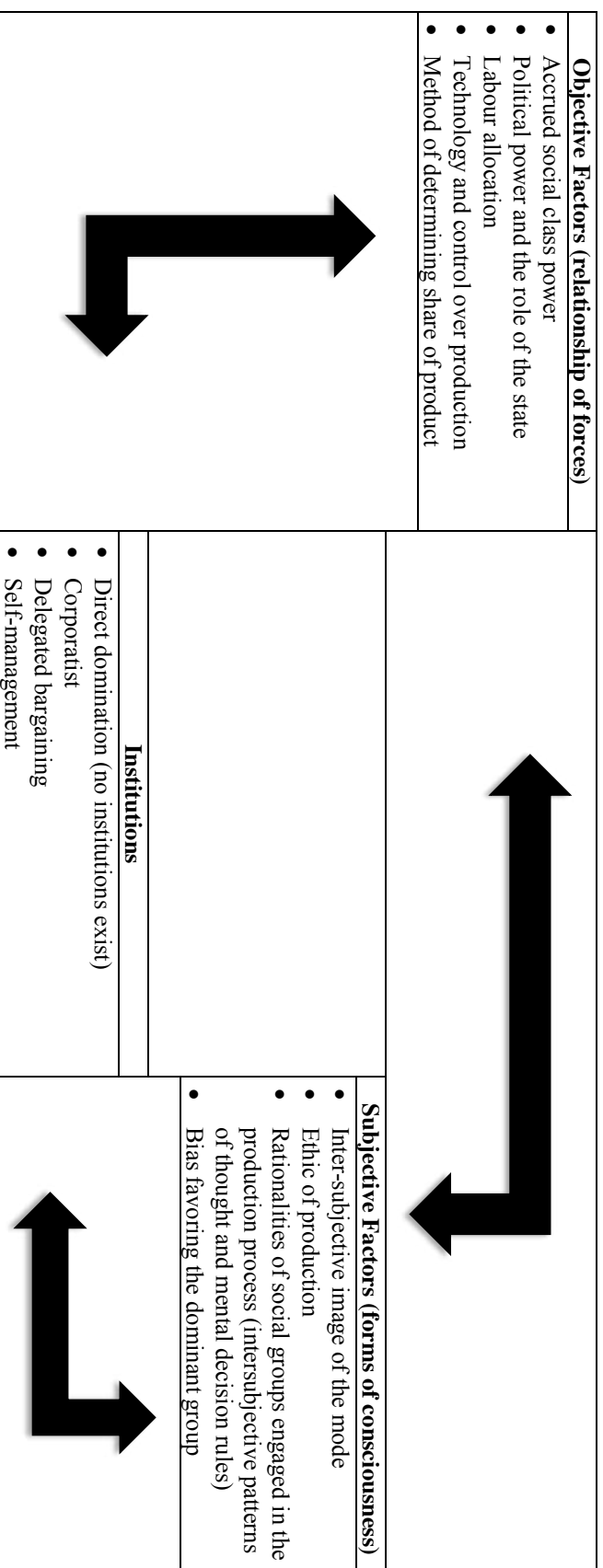
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APPENDICES

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Appendix 2.1 Robert Cox's social relations of production⁷⁵⁴



Source: author

⁷⁵⁴ Cox, Robert (1987) *Production, Power and World Order: Social Forces in the Making of History*. New York: Columbia University Press, p.29.

Appendix 2.2 Twelve Modes of Social Relations in the 20th century⁷⁵⁵

Slavery is not included by Cox as he regards it to not exist in the modern period to a substantial enough degree to class it as a mode.

| Nature of production | | Mode of social relations | |
|------------------------|--|---|--|
| Simple Reproduction | | 1. <i>Subsistence</i> The oldest form of social production, communities are organized by kinship and some family or lineage usually holds authority over it. | |
| | | 2. <i>Peasant-lord</i> Rather than family kinship, a dominant class (acquired through military, religious or debt bondage) extracts surplus but does not take part in the production process. | |
| | | 3. <i>Primitive labor market</i> An extra-legal group, outside of the peasant-lord relationship, forms that detaches from the mainstream organization of social relations. These groups may have done so historically for religious reasons (anti-monarchy or anti-profit motivated for example), but nowadays are more likely to have been forced out or escaped from bondage, and are often found in developing countries. A prostitute is an example, as producers require the mainstream to sell to, but exist outside of its protections. | |
| | | 4. <i>Household</i> This refers to the production of the home – children, family budgets, cleaning, washing etc. External industries associated with household production such as education, cleaning or cooking are often the lowest paid. | |
| Capitalist Development | Competitive capitalism (light state involvement) Defined as either: <i>a particular system of exchange relations and the accumulation capital through trade</i> OR <i>The organization of production</i> | 5. <i>Self-employment</i> Independent producers - the farmer, the artisan, consultants – that exists in a dependency relationship with larger structures of production. Profit is achieved by self-exploitation rather than the wage labour of an employee status. | |
| | | 6. <i>Enterprise labour market</i> Urbanisation, historically rooted in the growth of the town, attracted people from rural areas who began to compete to sell their labour, rather than the physical products of their labor. Production for exchange rather than production for use is the norm, capital accumulation begins within a new enterprise class, wages are determined by supply and demand, land is freed from feudal restrictions and markets grow. | |

⁷⁵⁵ *Ibid.*, Cox (1987), p. 32. - p. 98.

| | | |
|----------------------------|---|--|
| | <i>in order for capital to expand</i> | <p>7. <i>Bipartism</i> Labour becomes divided between established (bourgeoisie) and non-established (working class), and trades unions grow that represent these more amorphous groups (rather the industry specific guilds) who are likely to take political action. The state may actually respond to this representation of labour institutionally, eg: the US New Deal. The state is the forum through which capital and labour manage conflict.</p> |
| | <p>Monopoly capitalism (heavy state involvement)</p> <ol style="list-style-type: none"> 1. concentration of capital in large corporations 2. a bifurcated structure of a large scale (monopoly) and small scale (competitive) develops 3. the increased importance of banks and state working together 4. increased attention paid by states to raising capital for industry and providing them with favourable conditions 5. international division of labour and capital | <p>8. <i>Enterprise corporatism</i> Represented by the growth of the corporation in the post 1873 began depression, business becomes bureaucratized and not requiring of control by the external bureaucracy of the state, controlling bipartist conflict internally. Characterised by bringing unions inside the organization rather than externally conflictual (management-union bargaining), aiming at long term stable employment, responsible for large swathes of industrial life, and close ties between corporate and political figures.</p> <p>9. <i>Tripartism</i> The successor to bipartism, rather than only being a forum for the two competing voices of capital and labour, the state takes on a corporist responsibility for managing economic affairs, thereby becoming a third part of production. The line between state and corporate, politics and economics becomes blurred, as the corporatist mentality enters the state and its bureaucracies.</p> <p>10. <i>State corporatism</i> Characterized by fascist movements in southern Europe during the 1930s, it is the attempt to create an industrial economy top down, where bipartism has not naturally developed. This is a marked condition of late comer economies.</p> |
| Redistributive development | | <p>11. <i>Communal</i> An ancient form of social organization that precedes the Russian revolution and exemplified in millenarian movements, hippies, or the kibbutz movement in Israel, production (most likely limited to agriculture) should be collectivized, with the work and products shared equally by all.</p> <p>12. <i>Central planning</i> First brought into being with the Russian revolution, this involves forced collectivization by the state, which then proceeds to make all decisions of production from the centre. Labour is coerced, capital accumulation is prevented in civil society, and a highly technical (and large) bureaucracy develops.</p> |

Source: author

Appendix 2.3 Hegemony, World Orders and Forms of States

| World Order | Hegemony | Form of State | Features |
|-----------------------------------|----------|--|---|
| Pax-Britannia ⁷⁵⁶ | Yes | Liberal | <p><i>World Order</i> Balance of power Europe (18th century) became competitive capitalist (19th century). Feudalism was being transitioned into modernity. Centralised states became important, driven by military and political needs. A state war machine and wealth through military supported trade and specie development begins. Grand alliance began to develop between European bourgeoisie interests in foreign lands once control has been established. As with the liberal state, the liberal world order espoused a separation between economics and politics, but not their incompatibility. The liberal order was hierarchical, with Britain in the core and Europe after that. The liberal state, through colonies, was exported abroad, challenging foreign hegemomies.</p> <p><i>State</i> Mercantile interests and bourgeoisie hegemony. Aristocratic class saw Britain's superpower status as linked to free trade, therefore wanted to promote it. State involvement in the economy is high, but mercantile interests and state interests are aligned. Paternalistic class interests are paramount – economics for the bourgeoisie, politics for the aristocrats. The state's function is: (1) remove feudalistic barriers to economic freedom, (2) actively construct free markets (exchange and labour), (3) ensure 'sound' money (meaning no manipulation), (4) specialization of functions and centralize state power for the purpose of defending the system as a whole rather than specific interests, (5) to mobilise capital for investment, leading to the greater mobilization of workers.</p> <p><i>World Order</i> Not applicable</p> <p><i>State</i> Not applicable</p> |
| Rival Imperialisms ⁷⁵⁷ | No | Welfare Nationalist State Fascist Corporate State | <p>A development on the liberal state and through which the liberal state continues to exist. However the state intervenes in the market to correct for negative consequences of the market. Politically the welfare state and economically Keynesianism are the product. Some planning may be necessary however fundamentally, the belief exists that the market should decide production patterns. State and market are governed by consensus rather than authority, balancing three principles – monopoly, competitive and state sectors.</p> <p><i>World Order</i> Not applicable</p> |

⁷⁵⁶ *Ibid.*, Cox (1987), p. 111. - p. 150.

⁷⁵⁷ *Ibid.*, Cox (1987), p. 151. - p. 210.

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|---|---|--|
| | | <p><i>State</i></p> <p>Similar in spirit to the liberal state, it is however a distortion in the opposite direct to that of the welfare nationalist state. Exemplified by fascism in Italy, economic policies focus on laissez-faire liberalism, monetary stabilization and high exchange rates. However relations between interests are not governed by consent, but instead by authority and the authority of an elite class. Characterized by Gramsci in the emergence of three factors: (1) emergence of unto not active popular political forces, (2) alienation from the petty bourgeoisie particularly those middle class state officials, (3) polarization of employers and workers. Caesarism results – the “man of destiny”. This strongman may stop social conflicts but does freezes them, leaving them unresolved. Fascism may have political facets, however it is ultimately supported by economic promises of restoration. Fascism is a radical outcome of a crisis of hegemony.</p> |
| | <p>Re-distributive, Party Command State</p> | <p><i>World Order</i></p> <p>Not applicable</p> |
| <p>Pax-Americana⁷⁵⁸</p> <p>Features:</p> <ul style="list-style-type: none"> - internationalization of production - internationalization of the state - social hegemony had been established within the US - however, this world order is not | <p>Yes</p> | <p><i>State</i></p> <p>Continuing in the liberal state tradition, whereas the welfare nationalist state aims to protect the national unit, the neo-liberal state aims to protect the national through membership in alliance systems, for example the EU. Corporatist government-business-labour relations remain from the welfare nationalist state, in addition to Keynesian thinking, however the goals changed. State fiscal and monetary policy became geared to handling changes in the world economy, with a later special focus on the relationship between money and inflation – expansion and contraction become the norm.</p> |
| | <p>Neo-liberal</p> | <p><i>World Order</i></p> <p>The world order is defined in terms of the world economy, and states must exist in relation to that and not nationally focused policies. Inter-dependence, minimal state controls, minimizing state policies to fiscal and monetary management. Growth comes from the world economy, rather than the state. Tripartism grows as state officials align with global corporate leaders. Transnationally a labour divide opens up between top tier established labour and majority low and middle tier non-established labour.</p> |

⁷⁵⁸ *Ibid.*, Cox (1987), p. 211. - p. 271.

| | | | |
|---|-----------|--|--|
| <p>significantly different in nature from the British liberal world order in that it has not produced distinct modes of production. What is different, is the nature of the hierarchies between the forms of state.</p> | | <p>Neo-mercantilist Developmentalism</p> | <p><i>World Order</i> The world order is crucial to the neo-mercantilist state, with foreign markets and foreign capital becoming the source of growth. However the world economy is seen as a useful tool to be exploited, rather than opened up fully to and participated in inter-dependently, eg: direct investment by MNCs is shunned in favour of joint ventures with state owned enterprises. The desire by foreign powers to exploit a national economy, is often the source of neo-mercantilism, as the state seeks to guide its entry into the world economy. A strong coalition of petty bourgeoisie – state officials, corporations but mostly bureaucrats, develops in order to achieve this. Initial social force configurations will be populist with important substitution sought, followed by military-bureaucratic elites assuming popular mantles that then shift towards export promotion as membership of the world economy increases and foreign investors desire the security of military command.</p> <p><i>State</i> Development emerges from external capital, however the state's job becomes the mediation of the world economy, its role becoming to maximize its share of profits to the nation from the world economy. The state must balance dependency on foreign capital, with its desire to increase its bargaining power with foreign capital. The result is state-corporatist institutions of large-scale foreign-SOEs collaborations, and small scale national and local business. The welfare roles of the state may also be adopted by large corporations within this mode, such as in Japan.</p> <p><i>World Order</i> Not applicable</p> <p><i>State</i> Confrontational – a doubling down on the neo-liberal project, with confrontation Thatcherism-Reaganism. Crisis is more apparent in these states. Keynesianism becomes highly suspicious. Government intervention either actively (in creation jobs and investment) or negatively (to safeguard against negative economic change) are regarded suspiciously. Bipartism and tripartism are renounced. Indirectly state policy is focused upon new enterprise-labour development, often lower skill and cheaper wage work with a high degree of informality or instability. Age, gender and ethnic lines further complicates class formation. Individual capital accumulation and world order capital accumulation are propagated as the same thing, as is individual failure to achieve them. Counter-intuitively, calls to traditional values and militarism become normalized as necessary to protect the world order system. This 'military Keynesianism' creation a world order contradiction however – as increased military activism widens the sense the world order is not actually open and free.</p> |
| <p>Future, post-US global hegemony (?)⁷⁵⁹ - driven by crisis</p> | <p>No</p> | <p>Hyper liberal</p> | |

⁷⁵⁹ *Ibid.*, Cox (1987), p. 273. - p. 308.

| | | | |
|--|--|--|--|
| | | | <p><i>World Order</i> Not applicable</p> <p><i>State</i> Consensual (as in Japan, Germany and other European states) – arguing for a fusion of state and economy (in opposition to the hyper liberal political economy). The state is regarded as indispensable to the guiding of productive forces, and consensus is sought between competing interests in how to engage with the world economy – what the goals should be and how to share benefits and risks from attempting these goals. The world markets is accepted propositionally as the source of national wealth, and no state not even the US can control it. However the state can intervene in domestic social forces of production in order to ready them to better engage with the world economy. This means: (1) industrial competitiveness (opening up to world competition with support from state subsidy and orientation, (2) balancing the welfare of social groups. A sort of socialism (welfare protections) that is dependent on capitalism (world economy focused free markets). Politically, coalitions form, in addition to the revival of tripartism.</p> |
|--|--|--|--|

Source: author

Definition:

- Classes are socially real and not simply analytical categories
 - Classes are rooted in positionality within the social forces of production but are not created by them. Instead they are the result of commonly experienced social practices that are shaped by events and form collective identities.
 - Classes are historically rooted but history is the result of human choices, not of impersonal and ungovernable 'laws' of either history (Hegel) or production (Marx). Thus, people conscious act within classes but are also influenced by them.
 - How classes relate to the state helps form that state, which in turn can solidify a class structure or transform it.
 - Class is the mediating factor between the state, and production.
 - Since not all groups can share in production equally, classes are divided by dominant groups and subordinate groups, based on one group's ability to exercise control over particular social forces of production within a mode of production.
 - The establishment of this dominant-subordinate condition represents a historic bloc. The establishment of consent to this arrangement represents hegemony.
 - Class formation and historic bloc formation are the single most important factor that produces changes in the social, economic and/or political spheres of human activity.
-

Factors affecting class formation

1. Being a distinct group, dominant or subordinate, does not necessarily mean becoming a class - capacity may exist, but a common identity may not.
 2. Groups, dominant or subordinate, may form alliances that go on to become a class.
 3. Differing constellations of forms of production and their representative groups, are organized hierarchically, and this affects the class orientations of their component elements.
 4. A class that has risen to dominance within a particular mode of production has a high level of influence over subordinate groups formed from previously subordinate modes. This may mean transforming domestic groups within a new mode of production, or external groups in countries that remain in previous modes of production.
-

Source: author



⁷⁶¹ *Ibid.*, Cox (1987), p. 355 - p. 391.

Appendix 2.6 Current Groups in the World Economy

| Position | Group | Features |
|---|--|--|
| <p style="text-align: center;">↓</p> <p style="text-align: center;">Dominant</p> | Global corporation bosses | The transnational managerial class, and national public officials, security agencies and ministry officials who all join to support this class. Rivalries of course remains, but a common awareness of the need to support the system in which they all operates supersedes inter-national or inter-corporate competition, and institutions such as the Bretton Woods bodies form to protect this class. |
| | National state owned enterprise bosses | National bourgeoisie and national capital that nonetheless has an international outlook. Often represented by neo-mercantilist policies, this class may come into conflict with the more neo-liberal class above, but not always and may play a joint role in supporting this system. |
| | Local petty capitalists | Usually represented as “small business”, local business groups such as suppliers, often absorb the risks inherent in the global economy, as changes or shocks are trickled down from the transnational and national classes to intra-national groups. |
| | The new ‘middle stratum’, eg: the technical, scientific and managerial class | Middle management, often grouped into highly specialized forms eg: marketing, finance, etc; plays a supervisory role over labour. However they perform this function within a structure where labour is more affected by external factors from the world economy, than the result of this class’ decisions or actions. |
| <p style="text-align: center;">↓</p> <p style="text-align: center;">Subordinate</p> | Established workers within bipartite or tripartite production systems | Skilled manual labour, represented through trade unions. Often also with political mobilisations in the form of social democratic political parties. A key element of the neo-liberal state. |
| | A growing non-established, temporary worker population | Managerial authority in the workplace is strong, workers are non-unionised, and work is unstable. A situation increasingly accelerated by automation and technological change. The skill levels of jobs lowers, as does the intrinsic satisfaction. Whether or not this becomes a class is affected by three factors: (1) work content, (2) attitudes towards work in general, and (3) union membership and/or employment relationships. |
| | Mobilised labour forces in developing countries | The industrial proletariat in developing countries, developed in conjunction with a state that becomes captured by local elites; exist in the periphery as capitalism spreads out and fits developing country production systems into the needs of global capitalism. |
| | Third world agricultural producers, marginal populations and those in the informal economy | Peasants and other marginal groups. Often the victim of violence by their state. Largely rural still, this population is growing due to: (1) general population growth, (2) rise in capitalist agriculture rather than peasant cultivation meaning the land supports less people, (3) low levels of industrialization and therefore industry employment. |

Source: author

Appendix 4.1 The 'ODA Escalator'

| | |
|--|---|
| <p>First, technical assistance</p>  | <p>The standard lower level is to first begin with technical assistance. Technical assistance means sending Japanese consultants in various fields ranging from engineering, construction, healthcare or law, to the aided country to instil ideas and survey possibilities. These possibilities can then be 'suggested' to the aided country to later be 'requested' from the Japanese state.</p> |
| <p>Second, scholarships or "transformismo"</p>  | <p>Another significant form of ODA is the funding of scholarships to study in Japan. These scholarships have a number of advantageous strategic points. Firstly they facilitate the generation of a soft power-esque favourable impression among foreign future elites towards Japan.⁷⁶² Second, and this is the chief advantage, they create a cohort of future elites who can then be drawn upon by Japan in the future. By this I refer to a very active process of attempting to place Japan trained specialists in institutions in their host country, where the ex-scholarship funded student can be put to the best use.⁷⁶³ Just as Hook <i>et al</i> note that the North American Affairs Bureau (NAAB) is the most powerful bureau of Japan's Ministry of Foreign Affairs (MOFA), handling the US-Japan alliance with staff trained in elite Western universities, and giving the US a unique reach into Japan's foreign policy machine,⁷⁶⁴ Japan would seem to be replicating such a structure in its Mekong state dealings. This is what Cox refers to as "<i>transformismo</i>".⁷⁶⁵ Third, if in the business field, these students' socialize to Japanese modes of production, Japanese management styles, and an understanding of Japanese institutional behaviour, making them better able to integrate into Japanese institutions operating in their countries. Finally, due to their education based character, scholarships maintain a certain 'green wash' that muddies claims of political significance, and allows for the use of arguments such as a Japan that is simply 'helping' or being a 'responsible partner'. Points number two and three are particularly important in the early stages of engagement, as they help to leverage later stages of entanglement. In a similar manner to how ministries within Japan practice 'amukadari',⁷⁶⁶ the cobwebbing of 'your people' into 'the right places' is a useful and powerful networking instrument in Japan's economic power toolbox.</p> |

⁷⁶² Many of Thailand's current corporate elite were educated in Japan, for example the CEO of Thailand's largest construction company Ch. Karnchang. Ch. Karnchang has resultantly maintained a long standing business partnership with Japan's Tokyu Construction Corporation.



⁷⁶³ Graduates from these scholarships then go on to be placed in Japanese corporations, and even within key sections of their country's state bureaucracies, from where they can be used to feedback information to Japan's bureaucracy, and be utilized to inject ideas outlooks from the opposite direction, Japan side to recipient side. This is very much the case in Cambodia, where ex-Japan scholarship students are placed in ministries of interest to Japanese economic interests, where they work with JICA (who also have their own desks within Cambodia's ministries), to 'resolve problems' meaning to formulate projects and proposals. Prime Minister Abe is currently attempting to rejuvenate Japanese influence in Africa with the 'Abe Initiative', a new series of post-graduate scholarships aimed at African elites to study in Japan. In the light of increased Chinese gains in the continent, by offering these scholarships, the Japanese state aims to cultivate future Japan friendly 'partners' who can then be connected with like pawns in their network.

⁷⁶⁴ Hook, Glenn, D., Gilson, Julie., Hughes, Christopher, W. & Dobson, Hugo. (2005) *Japan's International Relations: Politics, Economics and Security*. Routledge: London & New York (2nd ed)

⁷⁶⁵ 'Transformismo' in Cox's lexicon refers to the process of recruiting a class of the intelligentsia (Gramsci's 'organic intellectuals') who might otherwise be rebellious, and co-opt them into the hegemon's mode of thinking in order to neutralize any such tendencies. Not only can they be neutralized, but they can then be put to work, by placing them in key international institutions such as the World Bank or IMF.

See: Cox, Robert (1993) 'Gramsci, hegemony and international relations', In Gill, Stephen (ed.) *Gramsci, Historical Materialism and International Relations*, Cambridge: Cambridge University Press

⁷⁶⁶ The institutional practice of placing civil service personnel on the boards of large corporations. Usually beginning with a first tier 'tokushu hojin' (special government corporations) then a second tier 'koeki hojin' (public corporations).

| | |
|---|---|
| <p>Third, grant aid</p>  | <p>Grant aid may begin at the same time as technical assistance or otherwise begin later as a separate stage of development. This latter option is more often the case as technical assistance facilitates the creation of future grant aid. Unlike loans do not need to be paid back. Grants are tied, meaning explicitly linked to Japanese companies who will carry out the project, and are often fairly small in amount. Because of this, it is desirable - in order to continue leveraging Japanese private sector engagement - to push the country up into the loan partner category.</p> |
| <p>Fourth, loan aid</p>  | <p>At the next stage technical assistance and grants continue, but the expectation is the aided still will begin asking for loans from Japan. The nature of the technical assistance and grants may change at this point, and shift more towards 'soft infrastructure' (education, health and human security sectors). This expectation of graduation from grant aid to loan aid is strong and active, and that country's JICA representative will be pushing or 'encouraging' the recipient state they operate in to aim for larger projects that can be funded through loans. Loan aid vastly outweighs what is possible with grant aid or technical assistance, making greater networking more difficult if capped at those levels.</p> |
| <p>Fifth, co-ordination and partnership</p> | <p>At the final stage, as where Thailand is as an upper-middle income state, is for ODA co-ordination. This is a fairly new development in the Japanese government's economic power toolbox, and reflects not only Thailand's economic status but also the degree of political trust that exists between Thai and Japanese state elites. Thailand has its own aid agency, two in fact - TICA (Thailand International Co-operation Agency), an obvious replication of Japan's JICA, and NEDA (Neighbouring Countries Economic Development Cooperation Agency) that focuses on aiding neighbouring CLMV countries and pushing the 'aid for trade' agenda. Thailand clearly regards itself as sub-regional leader, and desires to play a similar role as that which Japan has, and continues to play. In this fortuitous alignment of outlooks and interest, Japan has in Thailand a willing and able 'cormorant' that can do its 'fishing' for it in the Mekong sub-region.</p> |

Source: author

Appendix 4.2 ODA Policy/Project Process: Stage One - Japanese ODA Project Creation

| | |
|--|---|
| Step 1 <i>Survey</i> | Technical specialists and consultants survey territory for potential projects, and/or listen to local actors understanding of what is potential. |
| Step 2 <i>Needs creation</i> | JICA's technical specialists and policy specialists working within the recipient state ministries begin to collaborate on connecting potential projects with political will. |
| Step 3 <i>Project creation</i> | This is called <i>anken keisei</i> (literally, 'project create') and the process is <i>anken kibou chousa</i> (literally, 'project request research'). JICA's policy specialists take on a greater role, both attempting to guide through a Japanese project to the proverbial rubber stamp, in addition to arguing down alternative offers from other countries. |
| Step 4 <i>Request formulation</i> | The ODA request document, written in English but to demandingly bureaucratic Japanese standards, must be written and formatted in a certain way. The in-country JICA will for the most part create and write this document that is presented to the Japanese government. |
| Step 5 <i>Request submission</i> | Once complete, the recipient country's ministry will pass their request to the country's coordinating ministry, often a 'Ministry of Planning and Investment', which then makes the formal request to the Japanese government. |
| Step 6 <i>Ratification and matching</i> | The Japanese government assesses and approves, while simultaneously matching projects to companies. The relevant sectorial Japanese ministry makes the list of potential projects known to private contractors who can then pick and choose what they want to do. |

Source: author

Appendix 4.3 ODA Policy/Project Process: Stage Two - Japanese ODA Project Delivery⁷⁶⁷

| | <i>Technical Co-operation</i> | <i>Grant aid</i> ⁷⁶⁸ | <i>Loan aid</i> |
|---|---|---|--|
| Step 1 <i>Diplomacy</i> | Discussions take place between the Japanese government and recipient government. | An 'exchange of notes' takes place between both governments, and a draft grant agreement is made. | |
| Step 2 <i>'Detail Design'</i> | | A process begins in the recipient ministry called 'Detail Design', which means the creation of project specifications. | |
| Step 3 <i>Tendering/ Procurement</i> | JICA hires Japanese consultants and/or experts. Done through open tender, although sometimes particular Japanese ministries will propose a particular expert. | Recipient government begins the procurement process. They (in principle) tender goods and services through open competition. JICA checks that the process and documents accord with the grant agreement. | Recipient government begins often an international procurement process. This is a legal OECD 'STEP rule' requirement. JICA checks that the process and documents accord with the loan agreement. |
| Step 4 <i>Compensation</i> | JICA assumes all costs of specialists and their attendant needs (travel, equipment, etc) directly. No money goes to the recipient directly, and the recipient is responsible for the costs of their nationals on a project. | Contractor claims payment from JICA, approved by recipient government and JICA in tandem that is then disbursed directly to the bank of the consultant. No money goes directly into the recipient government. | |
| Step 5 <i>Assessment</i> | Prior evaluation, mid-term evaluation, final evaluation, and ex-post evaluation. The timing of ex-post evaluation depends on nature of the projects. | JICA checks that procedures outlined in the original agreement are being followed. The timing of ex-post evaluation depends on nature of the projects. Prior evaluation and ex-post evaluations take place, referring to the implementation of impact assessments. If problems are found the recipient is expected to resolve both them, both in cost and practice. | |

Source: author

⁷⁶⁷ For a breakdown of Japan's ODA system see: Ministry of Foreign Affairs [online] *A Guide to Japan's Aid*. Available at <http://www.mofa.go.jp/policy/oda/guide/1998/> (accessed 08.10.2014)

⁷⁶⁸ For a breakdown of procurement guidelines for grant aid see: JICA [online] *The Procurement Guidelines of the Japanese Grant Aid (Type I-G)*. Available at http://www.jica.go.jp/activities/schemes/grant_aid/guideline/ku57pq00000sby3v-att/01_e.pdf (accessed 08.10.2014)

Appendix 5.1 A Timeline of Japan's Relations with the Greater Mekong Sub-region

| | |
|-------------------------|--|
| <i>1967 (August)</i> | ASEAN founded |
| <i>1977 (March)</i> | Japan-ASEAN forum created. |
| <i>1988 (March)</i> | The Japan Special Fund created at the ADB. Aimed at supporting untied grants for technical assistance. |
| <i>1992</i> | Asian Development Bank (ADB) launches the 'Greater Mekong Subregion Economic Cooperation Program' <i>aka.</i> the 'Greater Mekong Subregion' (GMS). ADB Greater Mekong Sub-Region Economic Cooperation annual meetings begin. |
| <i>1993 (January)</i> | The Forum for Comprehensive Development of Indochina (<i>aka.</i> the Indochina Forum) was proposed by Japan's Kiichi Miyazawa, the beginning of Japanese attempts at bridge-building and integrating the MRBCs (eventually held in Tokyo in 1995). |
| <i>1993 (July)</i> | ASEAN ministers establish the ASEAN Regional Forum (ARF), a Japanese proposal based on the Miyazawa Initiative. |
| <i>1994</i> | Japan establishes the 'Working Group on Economic Cooperation in Indochina'. |
| <i>1995</i> | Ministerial Meetings on ASEAN-Mekong Basin Development Cooperation begin. |
| <i>1995 (January)</i> | Japan's Ministry of International Trade and Industry (MITI) created the 'Working Group on Economic Co-operation in Cambodia, Laos and Myanmar' (CLM-WG), formerly the 'Working Group on Economic Cooperation in Indochina'. The purpose of the public-private Japanese MITI led group was to support ASEAN initiatives that were aimed at economic relations with Indochinese countries. |
| <i>1995 (February)</i> | Japan proposes and chairs the 'Ministerial Meeting of the Forum for Comprehensive Development of Indochina'. |
| <i>1995 (April)</i> | Cambodia, Laos, Thailand, and Vietnam sign the 'Agreement on the Cooperation for the Sustainable Development of the Mekong River Basin', creating the Mekong River Commission (MRC), to which Japan is a donor and partner of. |
| <i>1996 (March)</i> | The 'Task Force for Strategies for Development of the Great Mekong Area', a meeting of private sector industrialists with the aim of infrastructure development in the Mekong. Report 'Strategies for development of the Greater Mekong Area' produced in August. |
| <i>1996 (June)</i> | First 'Ministerial Meeting on ASEAN-Mekong Basin Development Cooperation', a sub-branch of ASEAN, including Mekong states and seven ASEAN members. |
| <i>1996 (September)</i> | A 'Working group on infrastructure development' in the Mekong was held in Sydney, Australia. |
| <i>1996 (December)</i> | A 'Working Group on Human Resources Development' and 'Working |

- Group on Infrastructure Development' in the Mekong was held in Bangkok, Thailand.
- 1997 (December) Japan and ASEAN change the 'Working Group on Economic Co-operation in Cambodia, Laos and Myanmar' to the 'Economic and Industrial Co-operation Committee' (AMEICC). Its goal was to improve the legislative environment in Indochina and helping new members integrate with ASEAN.
- 2000 (November) Initiative for ASEAN Integration (IAI) and 'Narrowing the Development Gap' (NDG) launched at the 4th ASEAN Informal Summit in Singapore. The focus is upon engaging development partners with ASEAN's socio-cultural and economic community plans.
- 2001 (November) Quadripartite Ministerial Meeting on the Utilization of the Second Thai-Lao Mekong Bridge and the Development of Areas along the Eastern Part of the East-West Economic Corridor. Japanese elites are keen to cement in practice the ADB East-West Corridor.
- 2003 (December) At the ASEAN-Japan Commemorative Summit Meeting, 'A New Concept of Mekong Region Development' announced. Strengthening regional cohesion, realizing sustained economic growth, and fostering harmony with the environment.
- 2004 (November) (a) 1st Japan-CLV Foreign Ministers Meeting.
- 2004 (November) (b) 1st Japan-CLV Summit meeting.
- 2005 (December) (a) 2nd Japan-CLV Foreign Ministers Meeting
- 2005 (December) (b) 2nd Japan-CLV Summit meeting. Prime Minister Koizumi meets Cambodian Prime Minister Samdech Hun Sen, Laos Prime Minister Bounnhang Vorachith and Vietnam Prime Minister Phan Van Khai and launches the 'Initiative for Mekong Region Development'. Within it contains the idea of the five Mekong development triangle areas out of which Japan is focused on the CLV-DTA (Cambodia, Laos Vietnam Development Triangle Area).
- 2006 (February) 'Mekong Month' in Japan including the Mekong Exhibition in Tokyo.
- 2006 (March) Japan-ASEAN Integration Fund (JAIF) created. Prime Minister Junichiro Koizumi announced at the 9th ASEAN-Japan Summit in December 2005 the desire to aid in the integration of ASEAN through the ASEAN- Japan cooperation funds.
- 2007 (January) (a) 'Japan-Mekong Region Partnership Program' begins with three priorities: (1) integrate economies of the region and beyond, (2) expand trade and investment between Japan and the region, (3) pursue universal values and common goals of the region.
- 2007 (January) (b) 3rd Japan-CLV Foreign Ministers Meeting.
- 2007 (August) 4th Japan-CLV Foreign Ministers Meeting.
- 2007 (November) (a) 3rd Japan-CLV Summit Meeting.
- 2007 (November) (b) Japan-Thailand Economic Partnership Agreement (JTEPA).

| | |
|--------------------|---|
| 2008 (January) | 1 st Mekong-Japan Foreign Ministers' Meeting. Agreed to make year 2009 the Mekong-Japan Exchange Year, and assistance would be provided to improve the efficiency of logistics and distribution of the East-West and Southern Economic Corridors |
| 2008 (April) | 1 st Japan-China Policy Dialogue on the Mekong Region. |
| 2008 (July) (a) | Japan-Cambodia Investment Agreement. |
| 2008 (July) (b) | 5 th Japan-CLV Foreign Ministers Meeting. |
| 2008 (August) | Japan-Lao PDR Investment Agreement. |
| 2008 (December) | ASEAN-Japan Comprehensive Economic Partnership Agreement came into force (June 2009 for Thailand), precursor to the 2014 ASEAN-Japan Comprehensive Economic Partnership Agreement. |
| 2009 (January) | Mekong-Japan Exchange Year begins. |
| 2009 (June) | 2 nd Meeting of the Japan-China Policy Dialogue on the Mekong Region. |
| 2009 (October) (a) | Japan-Viet Nam Economic Partnership Agreement (JVEPA). |
| 2009 (October) (b) | 2 nd Mekong-Japan Foreign Ministers' Meeting. |
| 2009 (November) | 1 st Mekong-Japan Summit Meeting – “Mekong-Japan Action Plan 63” agreed. This was a key agreement that commits to 63 tangible actions and measures. |
| 2010 (April) | 3 rd Meeting of the Japan-China Policy Dialogue on the Mekong Region. |
| 2010 (February) | 1st Meeting of the Japanese Working Group for the Forum for the Promotion of Public-Private Cooperation in the Mekong Region. |
| 2010 (March) | 2nd Meeting of the Japanese Working Group for the Forum for the Promotion of Public-Private Cooperation in the Mekong Region. |
| 2010 (April) | 3rd Meeting of the Japanese Working Group for the Forum for the Promotion of Public-Private Cooperation in the Mekong Region. |
| 2010 (June) (a) | 4th Meeting of the Japanese Working Group for the Forum for the Promotion of Public-Private Cooperation in the Mekong Region. |
| 2010 (June) (b) | 5th Meeting of the Japanese Working Group for the Forum for the Promotion of Public-Private Cooperation in the Mekong Region. |
| 2010 (June) (c) | Mekong-Japan Symposium on Ancient Capitals. |
| 2010 (July) (a) | 6th Meeting of the Japanese Working Group for the Forum for the Promotion of Public-Private Cooperation in the Mekong Region. |
| 2010 (July) (b) | 3 rd Mekong-Japan Foreign Ministers' Meeting. |

| | |
|----------------------|---|
| 2010 (August) | Mekong-Japan Industry and Government Dialogue. |
| 2010 (September) (a) | 7th Meeting of the Japanese Working Group for the Forum for the Promotion of Public-Private Cooperation in the Mekong Region. |
| 2010 (September) (b) | Mekong-Japan International Conference on East-West Economic Corridor (EWEC) and Southern Economic Corridor (SEC). |
| 2010 (October) (a) | 2 nd Mekong-Japan Summit Meeting. Mekong-Japan Economic and Industrial Co-operation Initiative (MJ-CI) adopted. |
| 2010 (October) (b) | 2 nd Mekong-Japan Economic Ministers Meeting. |
| 2010 (November) | 8th Meeting of the Japanese Working Group for the Forum for the Promotion of Public-Private Cooperation in the Mekong Region. |
| 2010 (December) | 1 st Forum for the Promotion of Public and Private Cooperation in the Mekong Region. |
| 2011 (June) | 1 st Green Mekong Forum. |
| 2011 (July) (a) | 1 st Friends of the Lower Mekong Initiative (LMI) Ministerial Meeting. New U.S. initiative, Japan also in attendance. |
| 2011 (July) (b) | 4 th Mekong-Japan Foreign Ministers' Meeting. |
| 2011 (August) | 3 rd Mekong-Japan Economic Ministers Meeting. |
| 2011 (November) (a) | 3 rd Mekong-Japan Summit Meeting. |
| 2011 (November) (b) | 2 nd Forum for the Promotion of Public-Private Cooperation in the Mekong Region. |
| 2011 (November) (c) | At the 14 th ASEAN-Japan summit, the ASEAN-Japan Plan Of Action 2011-2015 is announced. This action plan has a much more pointed, security based tone. Five strategies are agreed: (1) strengthening political-security cooperation in the region; (2) intensifying cooperation towards ASEAN community building; (3) enhancing ASEAN-Japan connectivity for consolidating ties between ASEAN and Japan; (4) creating together a more disaster-resilient society; and (5) addressing together common regional and global challenges. |
| 2011 (December) | The current 'Greater Mekong Subregion (GMS) Strategic Framework 2012-2022' announced at 4th GMS Summit |
| 2012 (April) (a) | 'Tokyo Strategy 2012 for Mekong-Japan Cooperation' signed, replacing the 2009 Action Plan 63. |
| 2012 (April) (b) | \$7.4 billion ODA package announced for five MRBCs (not including China). |
| 2012 (April) (c) | 4 th Mekong-Japan Summit Meeting. |
| 2012 (July) (a) | 2 nd Friends of the Lower Mekong Initiative (LMI) Ministerial Meeting. Japan in attendance. |
| 2012 (July) (b) | 5 th Mekong-Japan Foreign Ministers' Meeting. |

| | |
|--------------------------|--|
| 2012 (<i>August</i>) | 4 th Mekong-Japan Economic Ministers Meeting. |
| 2013 (<i>February</i>) | 3 rd Forum for the Promotion of Public and Private Cooperation in the Mekong Region. |
| 2013 (<i>July</i>) (a) | 3 rd Friends of the Lower Mekong Initiative (LMI) Ministerial Meeting. Japan in attendance. |
| 2013 (<i>July</i>) (b) | 6 th Mekong-Japan Foreign Ministers' Meeting. |
| 2013 (<i>October</i>) | 2nd Green Mekong Forum. |
| 2014 (<i>June</i>) (a) | ASEAN-Japan Comprehensive Economic Partnership Agreement (AJCEP) signed. |
| 2014 (<i>June</i>) (b) | China leading the creation of the New Development Bank or 'BRIC Bank'. |
| 2014 (<i>October</i>) | China announced the creation of the Asian Infrastructure Investment Bank (AIIB). |
| 2015 (<i>May</i>) | Prime Minister Abe, seemingly in response to China's announcement of the AIIB which Japan did not join (along with the US), announces a five year aid program worth \$110 billion; the AIIB 's starting budget is \$100 billion. Claims of a need for "high quality infrastructure" and not "cheap and nasty social capital" in Asia are made. |

Source: author

Appendix 7.1 Vietnam's Institutional Evolution

Ministry Level

| | |
|------|---|
| 1945 | Ministry of Education and Training |
| 1945 | Ministry of Finance |
| 1945 | Ministry of Foreign Affairs |
| 1945 | Government Inspectorate |
| 1945 | Ministry of Health |
| 1945 | Ministry of Home Affairs |
| 1945 | Ministry of Industry and Trade |
| 1945 | Ministry of Justice |
| 1945 | Ministry of Public Security |
| 1945 | Ministry of Transport |
| 1958 | Ministry of Construction |
| 1959 | Ministry of Science and Technology |
| 1987 | Ministry of Labour, Invalids and Social Affairs |
| 1992 | Ministry of Defence |
| 1993 | The Committee for Ethnic Minorities and Mountainous Areas (CEMMA) |
| 1995 | Ministry of Agriculture and Rural Development |
| 1995 | Ministry of Planning and Investment |
| 2002 | Ministry of Natural Resources and Environment |
| 2007 | Ministry of Culture, Sports and Tourism |
| 2007 | Ministry of Information and Communications |
| 2013 | Vietnam Fisheries Resources Surveillance |

Non-ministry level

| | |
|------|--|
| 1989 | Export-Import (EXIM) bank |
| 2000 | Vietnam Trade Promotion Agency ('VietTrade', formerly the 'Investment and Trade Promotion Centre') |
| 2006 | The Vietnam Development Bank |

Source: author

Appendix 7.2 Vietnam's Energy Infrastructure and Japanese Co-operation

| | Institutions | Infrastructure in Vietnam | Recent Japanese Cooperation (representative samples only) |
|--------------------|---|--|---|
| Oil | Petrolimex & Petrolimex Gas Petrovietnam & PetroVietnam Finance Corporation Vietnam Petroleum Institute | Fourteen oil fields (2012): Bach Ho, Rong, Dai Hung, Rang Dong, Ruby, Emerald, Su Tu Den, Bunga Kekwa, Bunga Raya, Bunga Tulip, Ca Ngu Vang, Phuong Dong, Song Doc, and Cendor | - Japan + others (Petrovietnam, Idemitsu Kosan, Kuwait Petroleum International and Mitsui Chemicals) = Nghi Son Refinery - Japan (JX Nippon Oil & Energy and Petrolimex) = Nam Van Phong project - JOGMEC & Vietnam Petroleum Institute = |
| Petroleum | Vietsovpetro (a joint Vietnamese and Russian) | Before 2009 there were no refineries. Now there are two: the Dung Quat Refinery (Russia) and the Nghi Son Refinery (Japan). A third is being developed with the Nam Van Phong project. | collaboration on the 'CO2-EOR for Sandstone Reservoirs of Cuu Long Basin' project and "Collaborative Study on the Applicability of the JAPAN-GTL Process to Petrovietnam Natural Gas Resources' project. |
| Gas | | Many sites. The main are: Cuu Long basin, Nam Con Son basin, Malay-Tho Chu basin and Song Hong basin. | |
| Coal | Vinacomin (Vietnam National Coal-Mineral Industries Group) | Two main sites: Quang Ninh province and the Red River Delta | - Vinacomin has worked with Japan Coal Energy Centre (JCOAL), Kushiro Coal Mine (KCM) and Marubeni Corporation, and in 2009 signed a MoU with JBIC |
| Nuclear | EVN (Vietnam Electricity) | Ninh Thuan 1 Nuclear Power Plant (Russia) Ninh Thuan 2 Nuclear Power Plant (Japan) | - Japan = Ninh Thuan 2 Nuclear Power Plant |
| Electricity | EVN (Vietnam Electricity) | National and local grids. | - EVN & Marubeni Corporation = Thai Binh-1 (coal fired power plant) - PetroVietnam forms a consortium with Japan's Sojitz Corporation and Korea's Daelim Group = Thai Binh 2 |

Source: compiled from various sources

Appendix 7.3 Infrastructure, Vietnam and the Mekong Region

South-south corridor

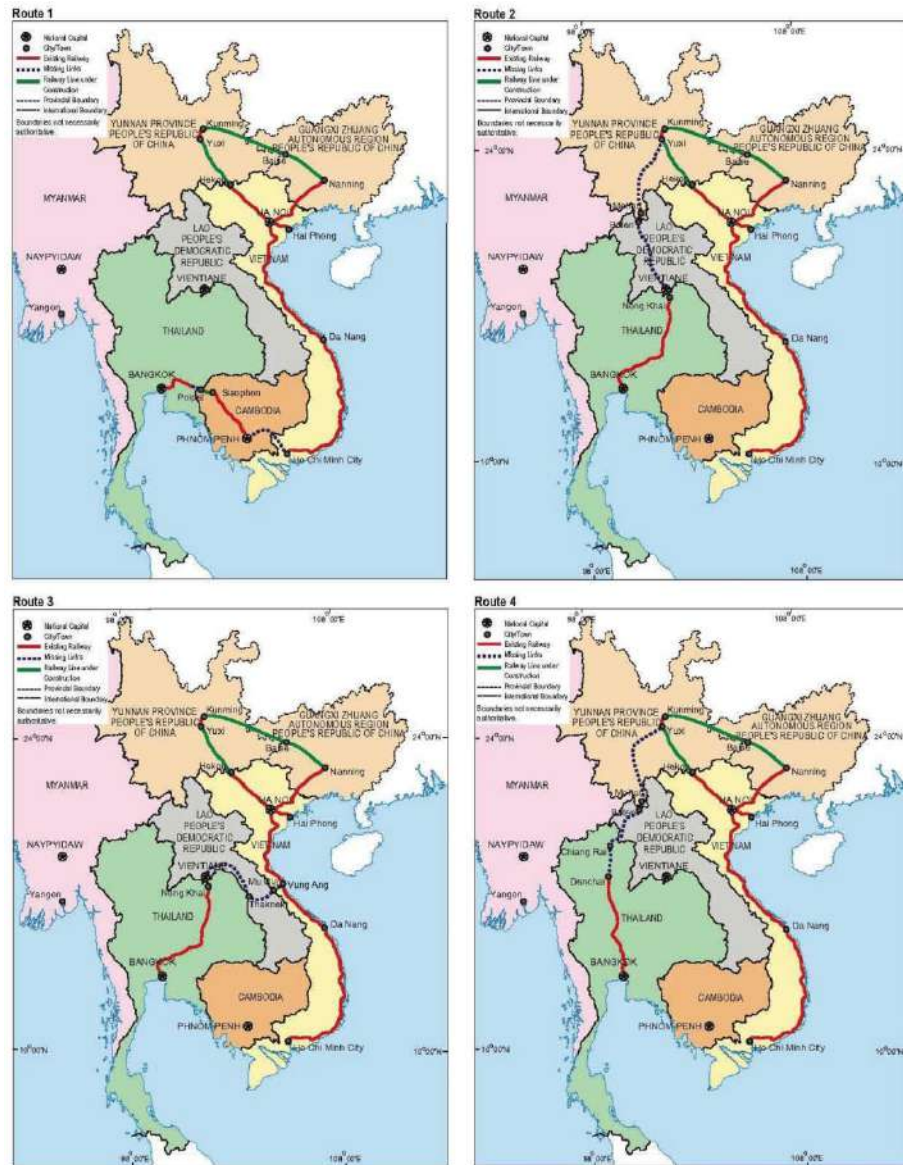


East-West and North-South Corridors



Sources: Asian Development Bank (2010) *Strategy and Action Plan for the Greater Mekong Subregion North South Economic Corridor*. Philippines: Asian Development Bank Publication. Philippines: Asian Development Bank Publication [Online] <http://adb.org/sites/default/files/pub/2010/gms-north-south-action-plan.pdf> (accessed 12.11.2014); Asian Development Bank (2010), p6; Asian Development Bank (2010) *Strategy and Action Plan for the Greater Mekong Subregion Southern Economic Corridor*. Philippines: Asian Development Bank Publication. [Online] <http://adb.org/sites/default/files/pub/2010/gms-action-plan-south.pdf> (accessed 12.11.2014); Asian Development Bank (2010), p26

Appendix 7.4 Four Asian Development Bank plans for a GMS wide railway network



Source: Asian Development Bank (2010) Connecting Greater Mekong Subregion Railways: A Strategic Vision. Philippines: Asian Development Bank Publication [Online] <http://adb.org/sites/default/files/pub/2010/connecting-gms-railways.pdf> (accessed 12.11.2014), p17

Appendix 9.1 The Economic Plans of Laos

| | | |
|---|---|---|
| Period 1: Centrally Planned System (1975-1986) | One year plan (1976-1977) Aims: * Recover the economy after the war * Improve the living standard of the people * Recover the agricultural and industrial production * Protect and develop the nation and new regime peacefully | |
| | Three year plan (1978-1980) Aims: * Reconstruct the nation after war * Provide housing for people and permanent locations to make their living * Recover farming land * Reconstruct some districts damaged by the war * Repair and operate the existing industrial factories | |
| | 1 st Five Year Plan (1980-1985) Aims: * Support the agricultural-forestry production in order to achieve food sufficiency, * Repair the existing factories for regular operation and create a number of new industrial facilities * Construct basic infrastructure: Road No. 9, major bridges along Road No. 13. | |
| Period 2: New Economic Mechanism (1986-2000) | | 2 nd Five Year Plan (1986-1990) Aims: * Stabilize the national economy and politics * Continue to transform the economic structure with multiple sectors. Transition from subsistence and semi-subsistence economic system into a market-oriented economy under the Party-State leadership |
| | Eight Year Plan (1993-2000) | 3 rd Five Year Plan (1991-1995) Aims: * Improve the infrastructure and living standard of the people step by step * Expand cooperation with foreign countries * Attract foreign investment into the national development. |
| | | 4 th Five Year Plan (1996-2000) Aims: * Eight priority areas for economic development identified however the Asian Financial Crisis seriously damaged progress towards this five year plan. * The development of ethnic minority areas and to reduce gaps between urban, rural, and upland areas. The objective is to have 86 'focal sites' by 2000. ⁷⁶⁹ |
| Period 3: Regionalisation and Globalisation | Ten-Year Socio- Economic Development | 5 th National Socio-Economic Development Plan (2001-2005) Aims: * Ensure social order and stability |

⁷⁶⁹ 'Focal site' being a particular approach to poverty reduction that focuses on a localised area, and area by area, rather than a nationwide poverty reduction strategy.

| | | |
|---|--|--|
| (2000-now) (5 year plans moved away from to include a longer term vision meaning the setting of 5, 10 and 20 year plans) | Strategy (2001-2010) Aims: * Reach industrialization under socialism * Eradicate extreme poverty by 2010 * Graduate from Least Developed Country (LDC) by 2020 | <ul style="list-style-type: none"> * Achieve rapid and sustainable growth * Reduce the number of poor households by 50% * Ensure food security for the population * Shift agriculture from shifting cultivation to sedentary agriculture, and eradicate opium cultivation/production * Ensure initial saving * Strengthen the organisation and efficiency of enterprises, especially SOEs * Develop skilled labour in various sectors to serve the modernisation and industrialisation processes |
| | | <p>6th National Socio-Economic Development Plan (2006-2010) Aims:</p> <ul style="list-style-type: none"> * Transform the multi-sectoral economy from uneven performance to fast and stable development within a State guided market mechanism * Focus areas: <ul style="list-style-type: none"> - promoting economic development, with human development as a key objective - increase competitiveness and utilize comparative advantages to implement effectively international economic commitments in the framework of ASEAN and other bilateral and multilateral commitments, including the WTO - strengthen the positive linkages between economic growth and social development, in addressing social issues such as poverty - keep the socio-political situation stable |
| | | <p>National Growth and Poverty Eradication Strategy (NGPES) Aims:</p> <ul style="list-style-type: none"> * Reduce the high dependency on (ODA) by (1) creating a broad base for countrywide growth and tax revenue, including utilising the country's natural resource base, and (2) improve the tax administration |
| | | <p>7th National Socio-Economic Development Plan (2011-2015) Aims:</p> <ul style="list-style-type: none"> * Comprehensive basic infrastructure, especially in the rural area, connecting to the region and the world * Improve governance efficiency and transparency * Achieving MDGs * International integration * Open trade |

Source: author (compiled from multiple sources)

Appendix 9.2 The road network in Laos, 2002 and 2012

| 2002 (road location) | 2012 (road location) |
|--|--|
| 32,600 km of roads 7,200 km of national roads 9,000 km of provincial roads 16,500 km of district and local roads | 43,601 km of roads 7,352 of national roads 8,089 of provincial roads 5,517 of district roads 2,160 of urban roads 18,755 of rural roads 1,725 of special roads |
| 2002 (road type) | 2012 (road type) |
| 0 km of concrete roads 0 km of asphalt roads 4,592 km of tarred roads 9,661 km of gravelled roads 18,371 km of earthen roads | 141 km of concrete roads 725 km of asphalt roads 6,496 of tarred roads 15,324 of gravelled roads 20,919 of earthen roads |

Data source: various, compiled by author

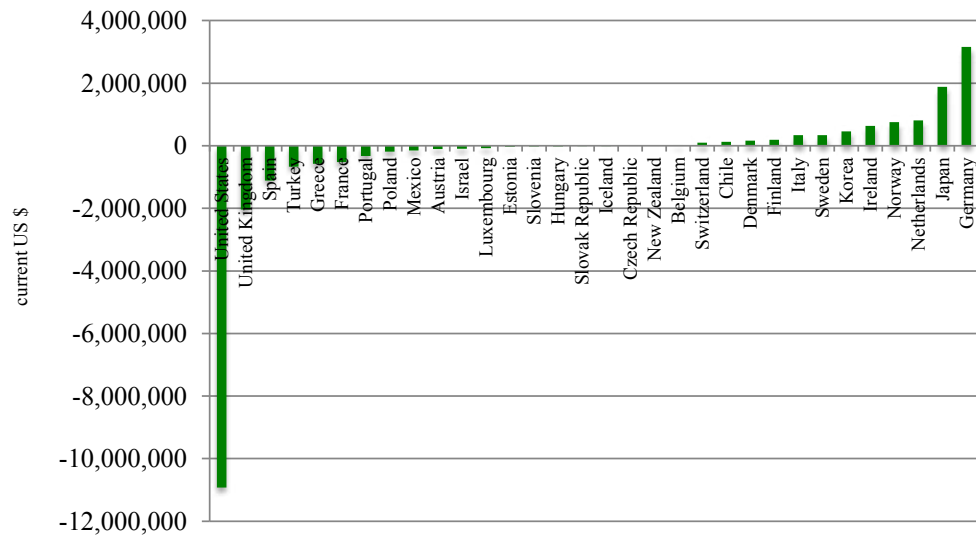
Note: In 2004 the government re-classified the categories of roads, creating the multiple set shown here in 2012

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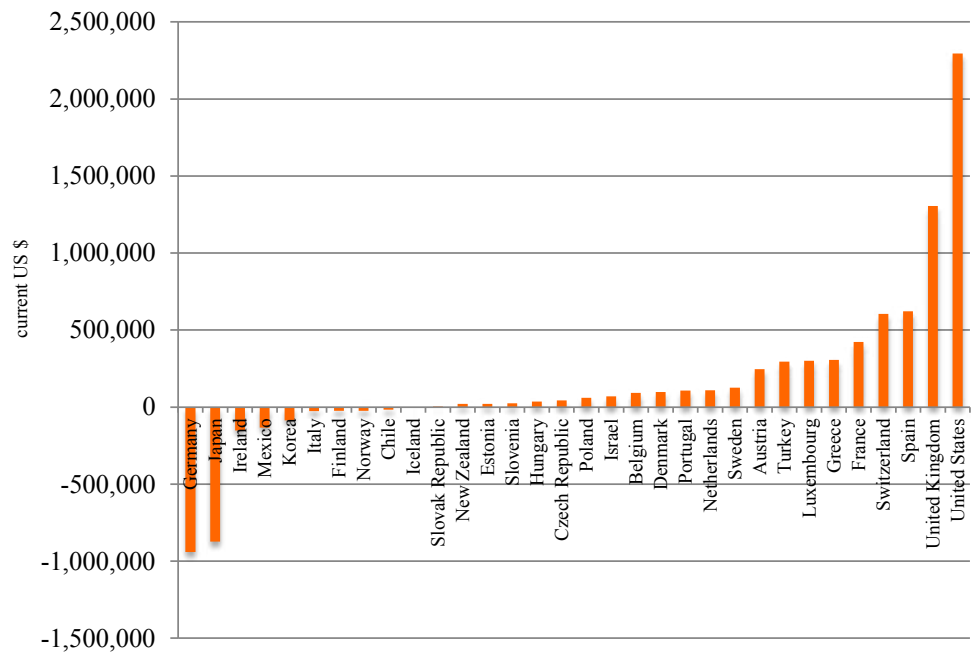
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Fig 4.1 OECD Economy's Balance of Trade Totals: Goods (1990-2013)



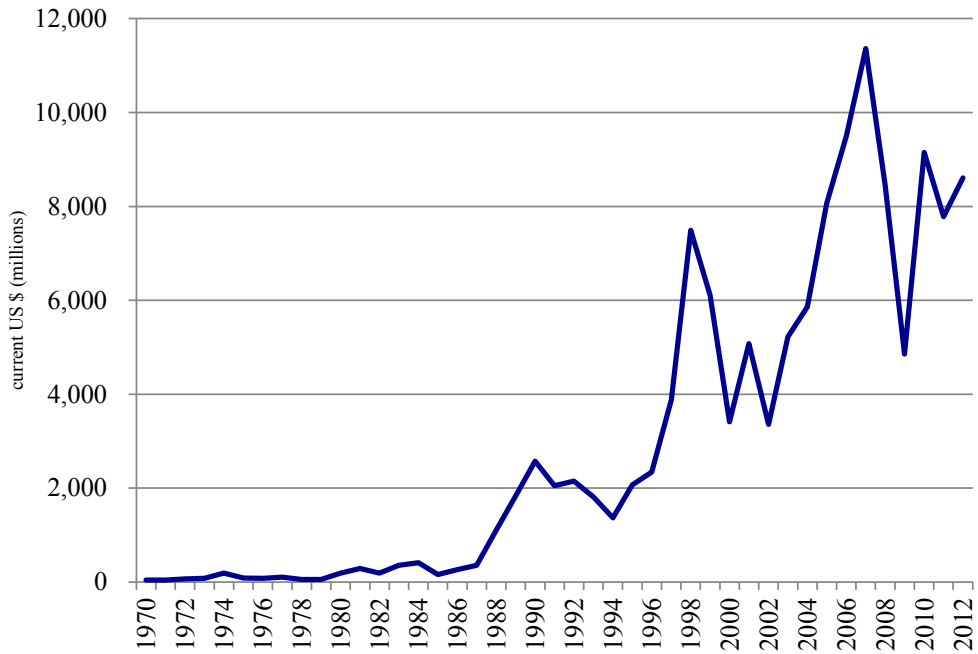
Data Source: OECD.stat (balance of payments, MEI)

Fig 4.2 OECD and key Non-OECD Economy's Balance of Trade Totals: Services (1990-2013)



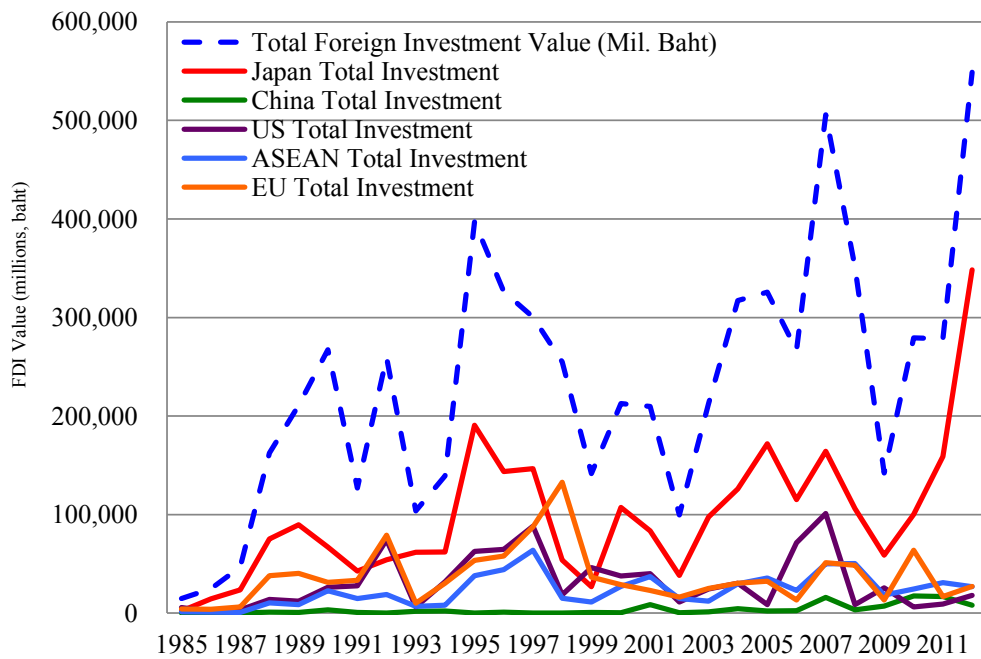
Data Source: OECD.stat (balance of payments, MEI)

Fig 6.1 Inward FDI into Thailand, 1970-2012



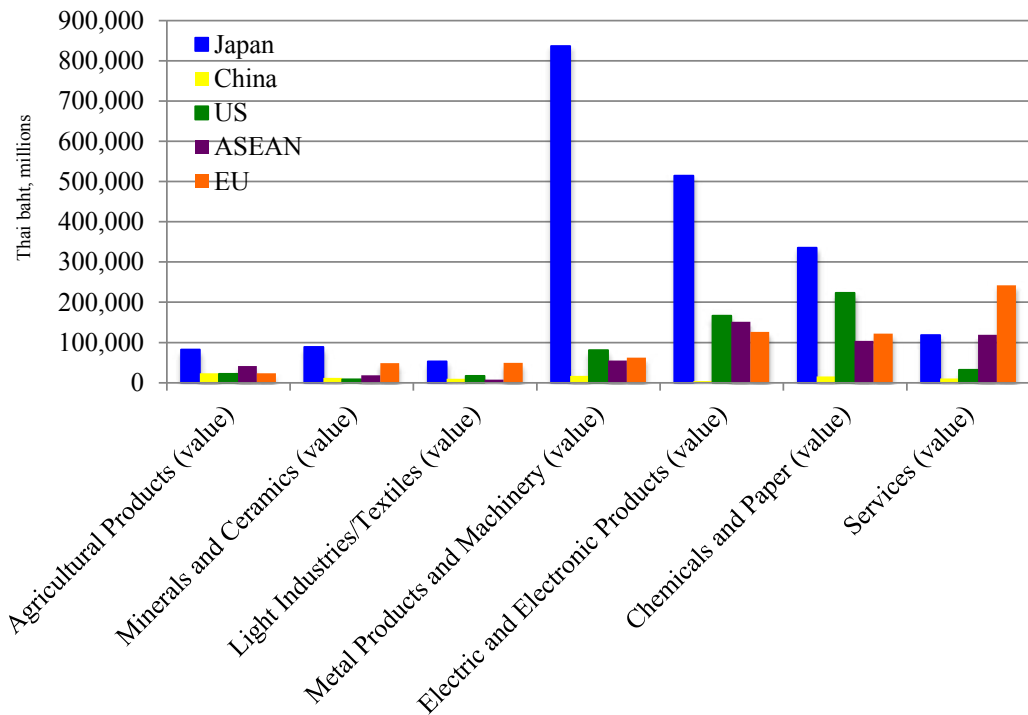
Data Source: UNCTAD

Fig 6.2 Value of Inward FDI to Thailand from Japan, China, US, ASEAN and EU (1985 - 2012)



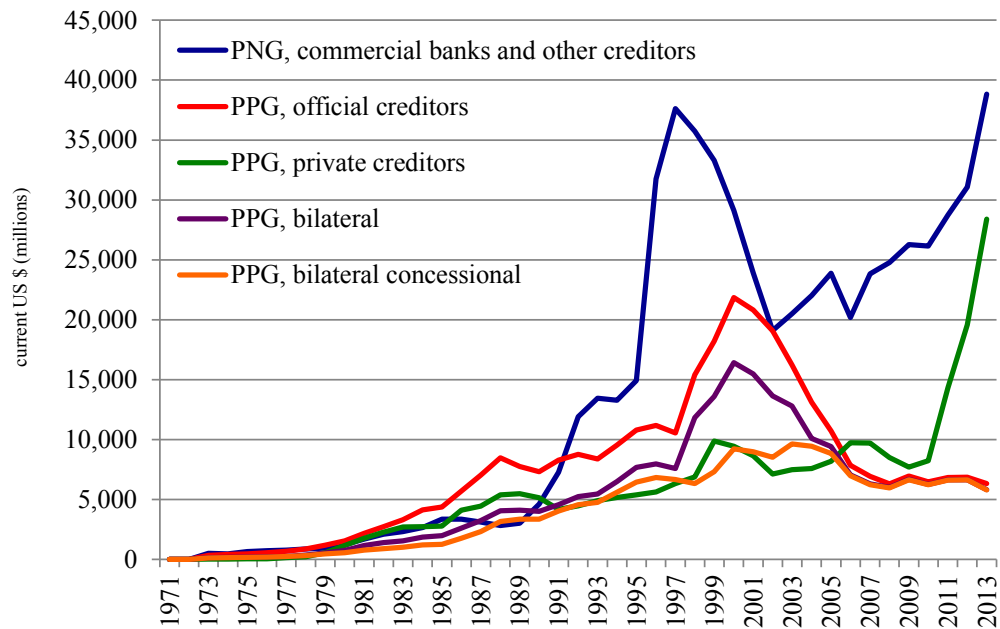
Data Source: Thailand Board of Investment (BoI)

Fig 6.3 Sectorial Commitments of Major Foreign Investors into Thailand, total 1997-2013



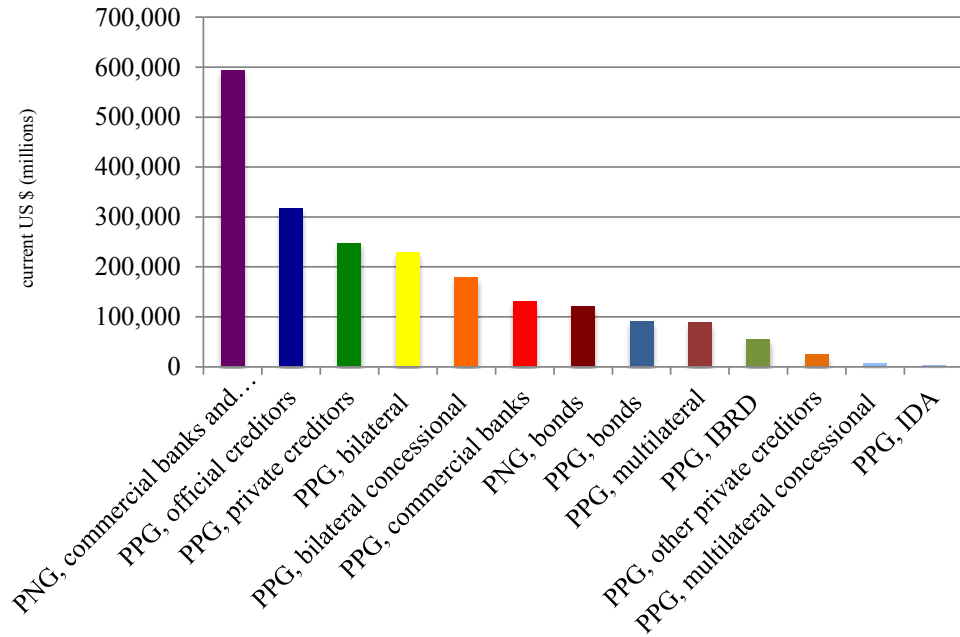
Data Source: Thailand Board of Investment

Fig 6.4 Thailand's External Debt by Source Type, 1971-2013



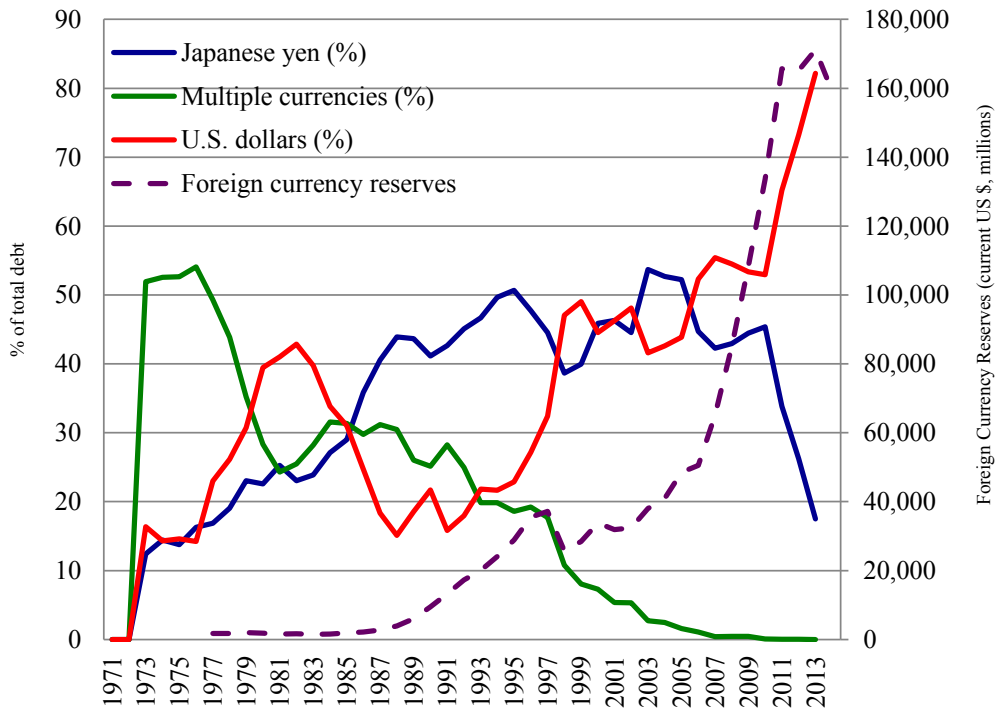
Data Source: World Bank International Debt Statistics (IDS)

Fig 6.5 Total Thai Debt Source Type, 1971-2013



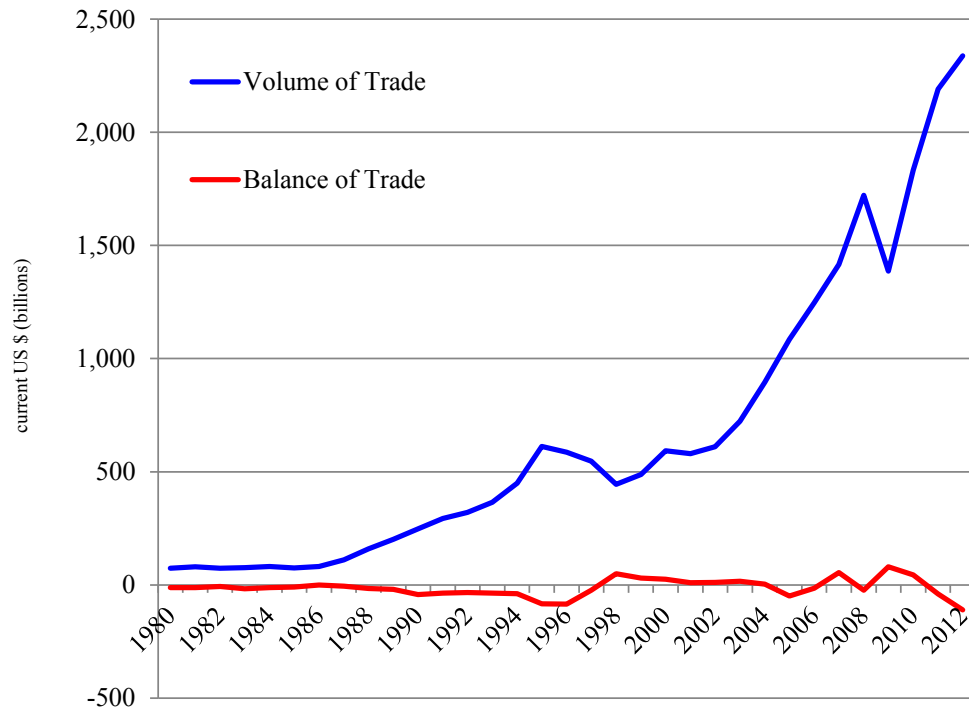
Data Source: World Bank International Debt Statistics (IDS)

Fig 6.6 Thailand's Foreign Currency Reserves and Composition, 1970-2013



Data source: World Development Indicators and Bank of Thailand

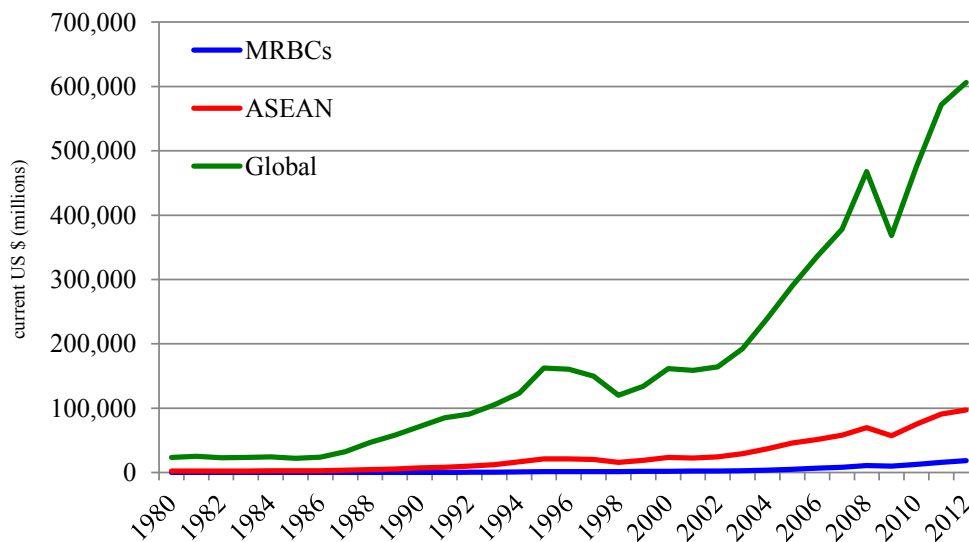
Fig 6.7 Thailand's Global Volume and Balance of Trade, 1980-2012



Data Source: IMF Direction of Trade Statistics

Note: The IMF classifies 'global' to include any definition of region, eg: 'Africa'. As such the figures in this graph are inflated compared to the graph below.

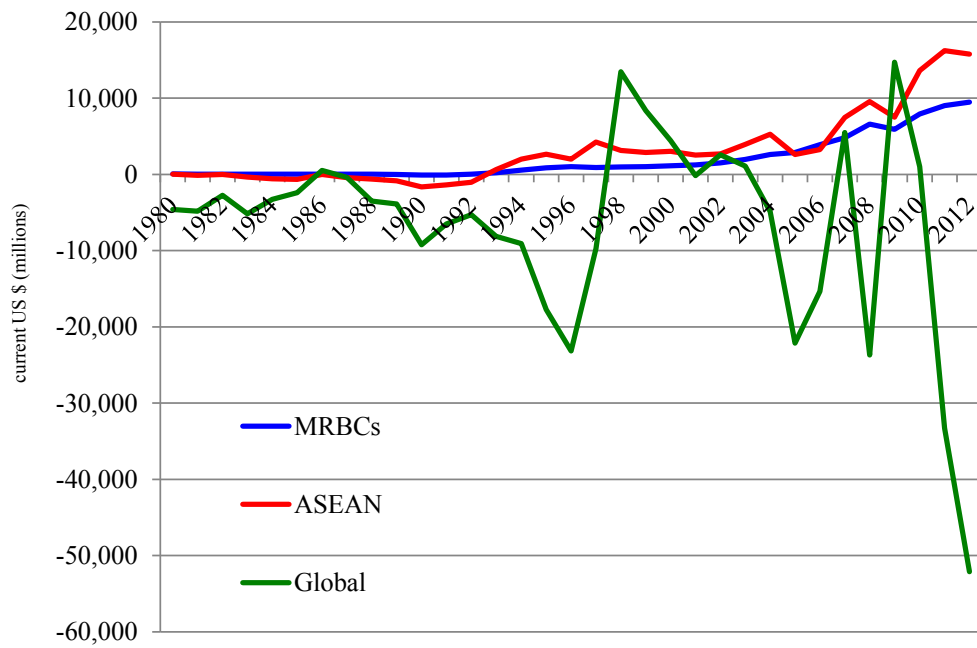
Fig 6.8 Thailand's Volume of Trade by Levels - World, Regional and Sub-regional, 1980-2012



Data Source: IMF Direction of Trade Statistics

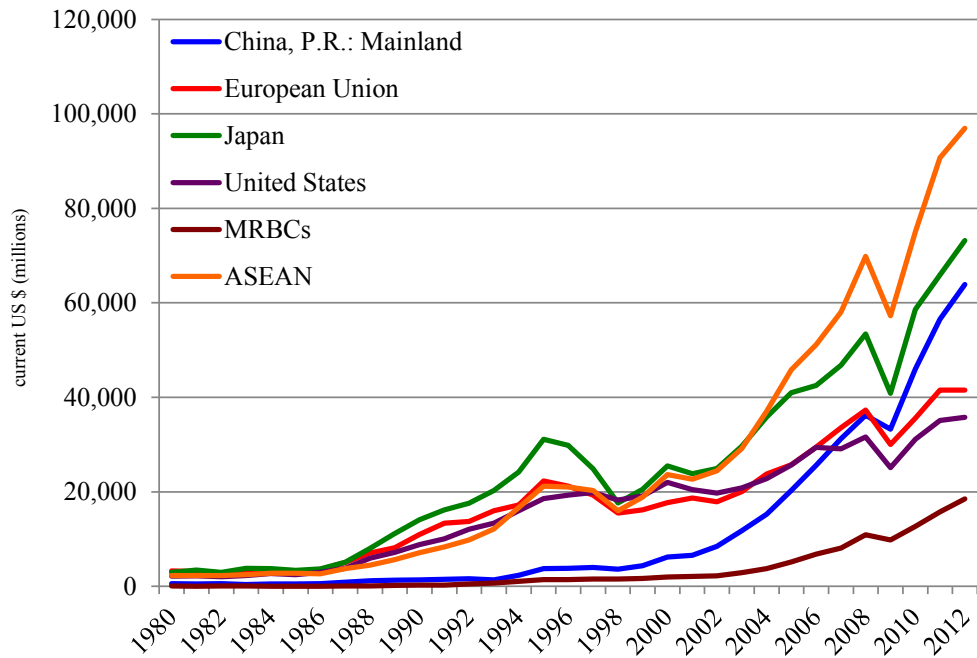
Note: The IMF classifies 'global' to include any definition of region, eg: 'Africa'. These figures represent world trade as a collection of country level economies rather than also including regions; except for the EU which has been included as it is an institutional trade bloc.

Fig 6.9 Thailand's Balance of Trade by Levels - World, Regional and Sub-regional, 1980-2012



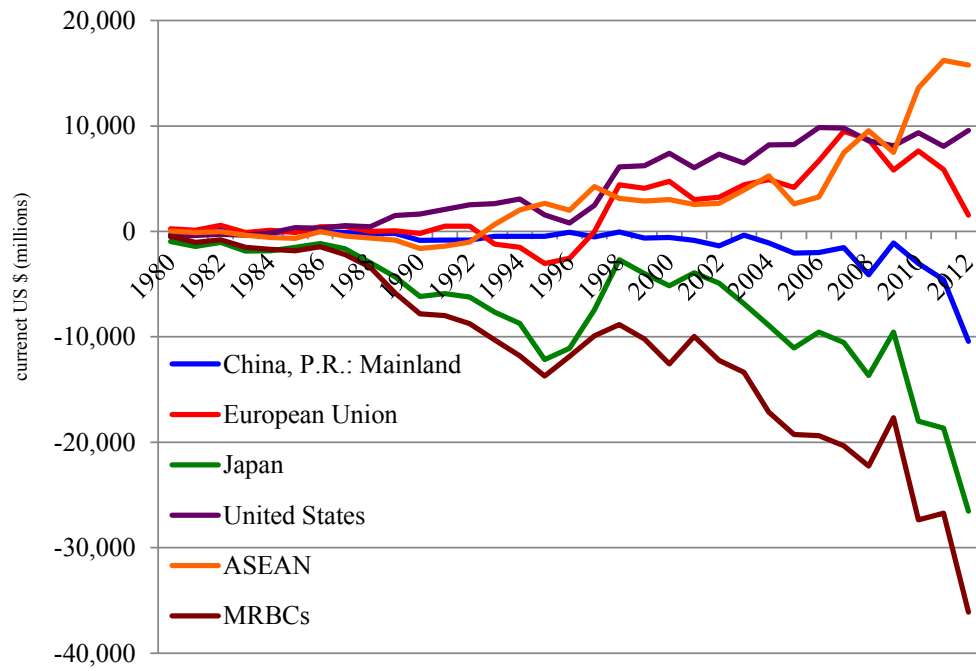
Data Source: IMF Direction of Trade Statistics

Fig 6.10 Volumes of Trade between Thailand's Key Trading Partners, 1980-2012



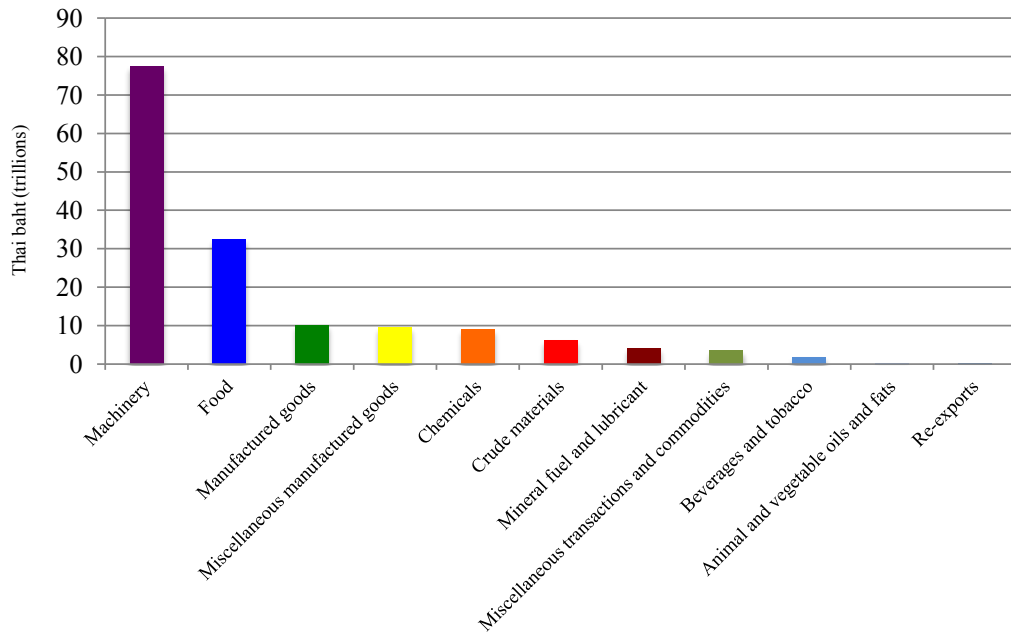
Data Source: IMF Direction of Trade Statistics

Fig 6.11 Balance of Trade between Thailand's Key Trading Partners, 1980-2012



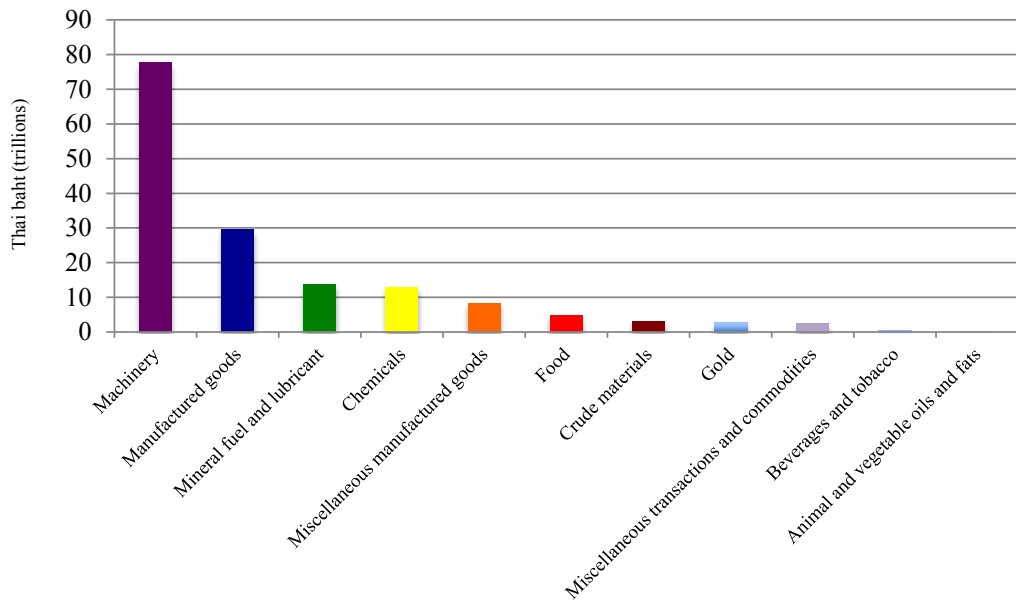
Data Source: IMF Direction of Trade Statistics

Fig 6.12 Thailand's Total Exports by Commodity, 1995-2013



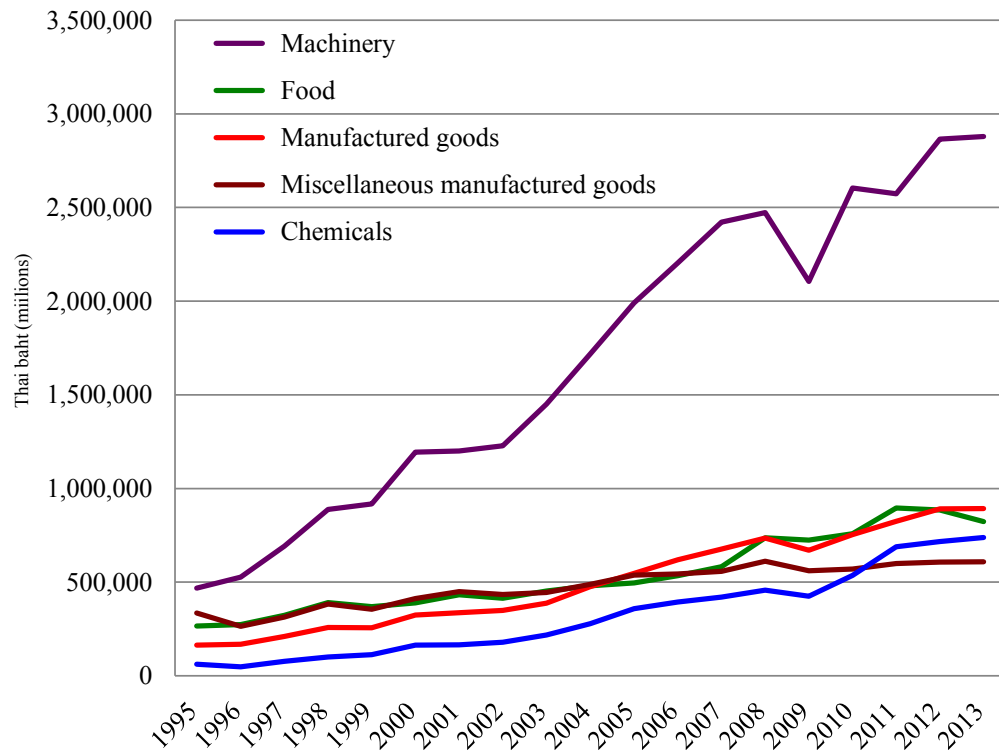
Data Source: Bank of Thailand

Fig 6.13 Thailand Total Imports by Commodity, 1995-2013



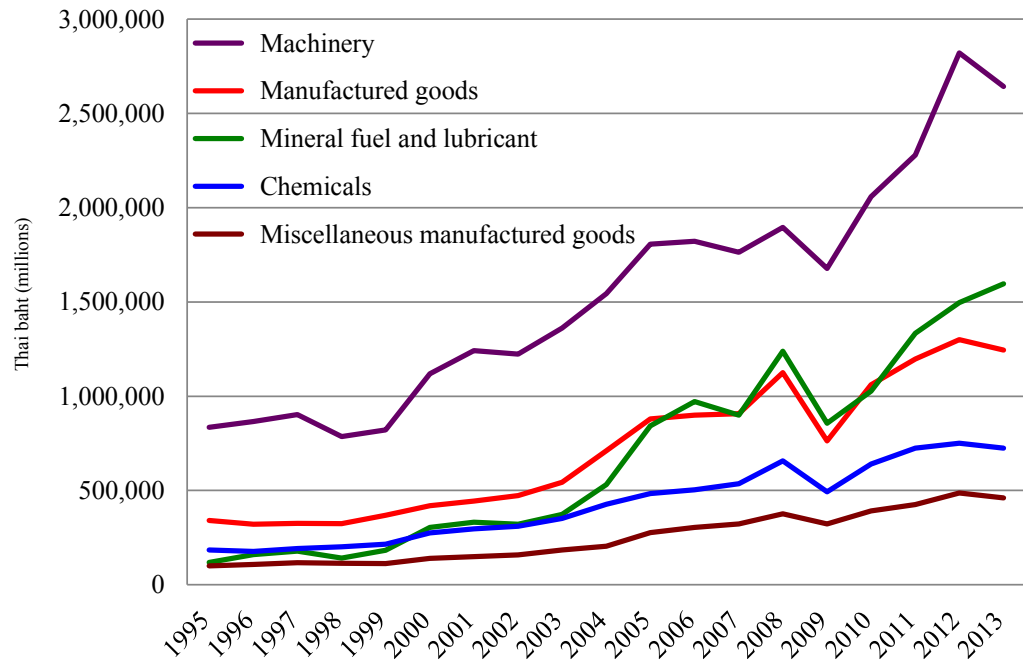
Data Source: Bank of Thailand

Fig 6.14 Thailand's Top 5 Exports by Commodity, 1995-2013



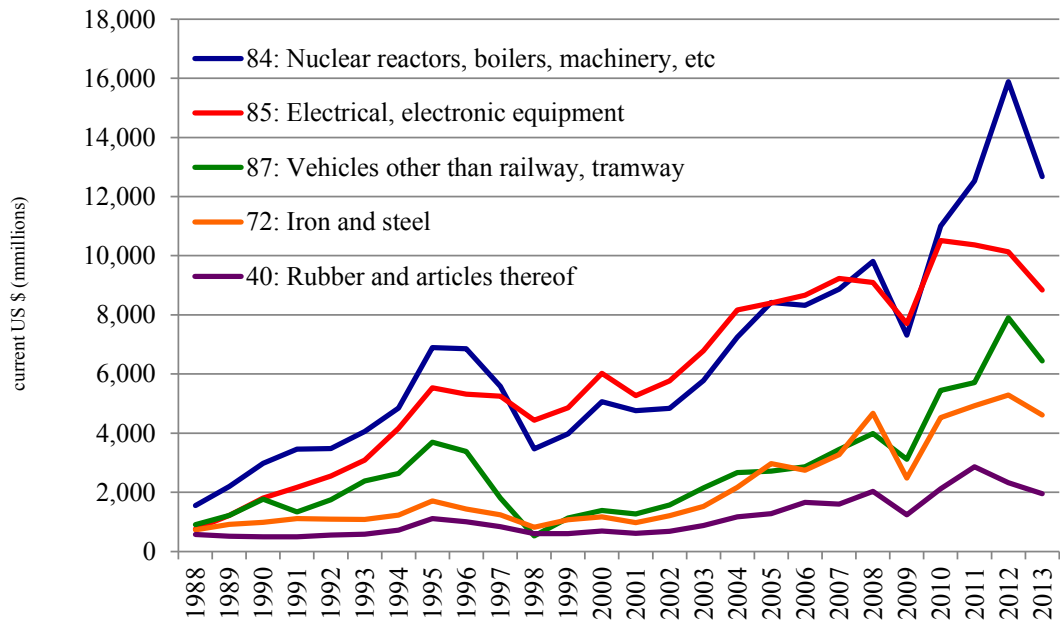
Data Source: Bank of Thailand

Fig 6.15 Thailand's Top 5 Imports by Commodity, 1995-2013



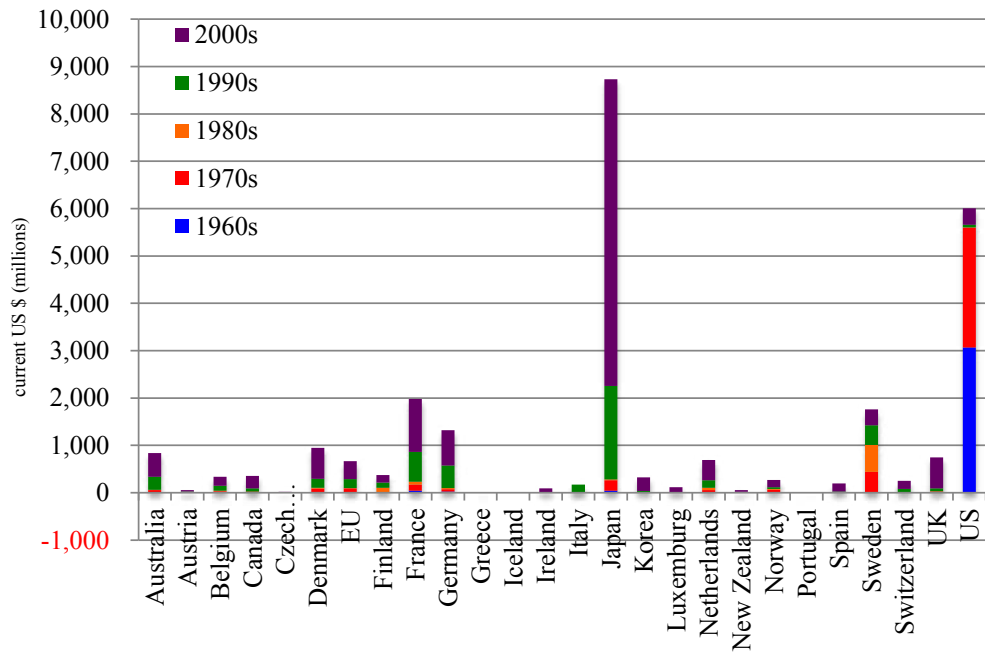
Data Source: Bank of Thailand

Fig 6.16 The Top Five Commodities Traded between Japan and Thailand, 1988-2013



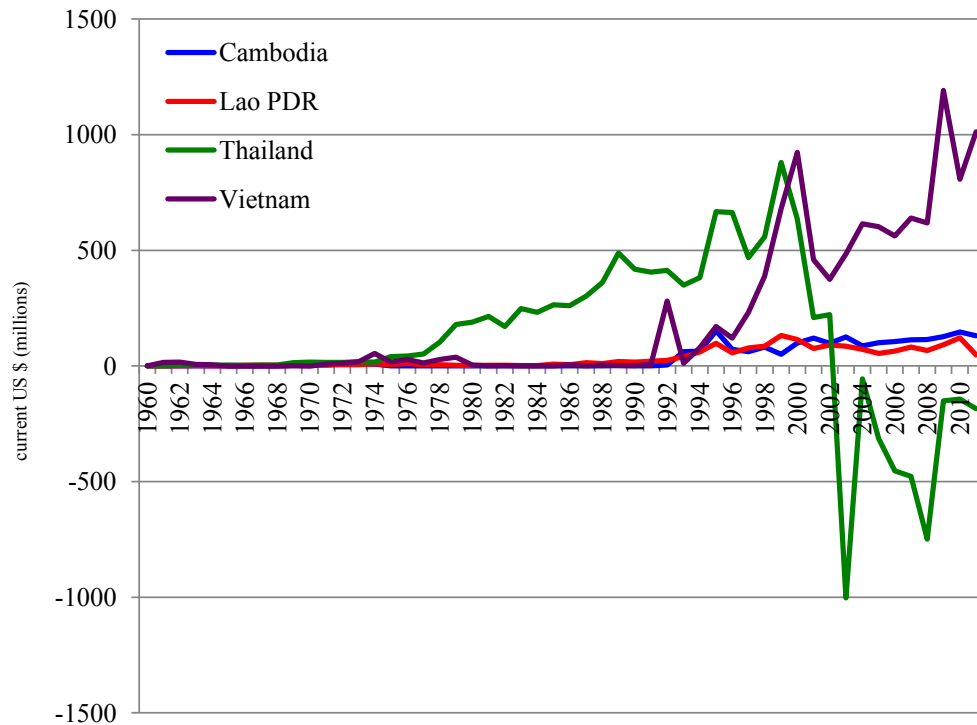
Data Source: OECD International Trade by Commodity Statistics (ITCS) (Harmonised System 1988)

Fig 7.1 ODA received by Vietnam by OECD DAC member, 1960-2011



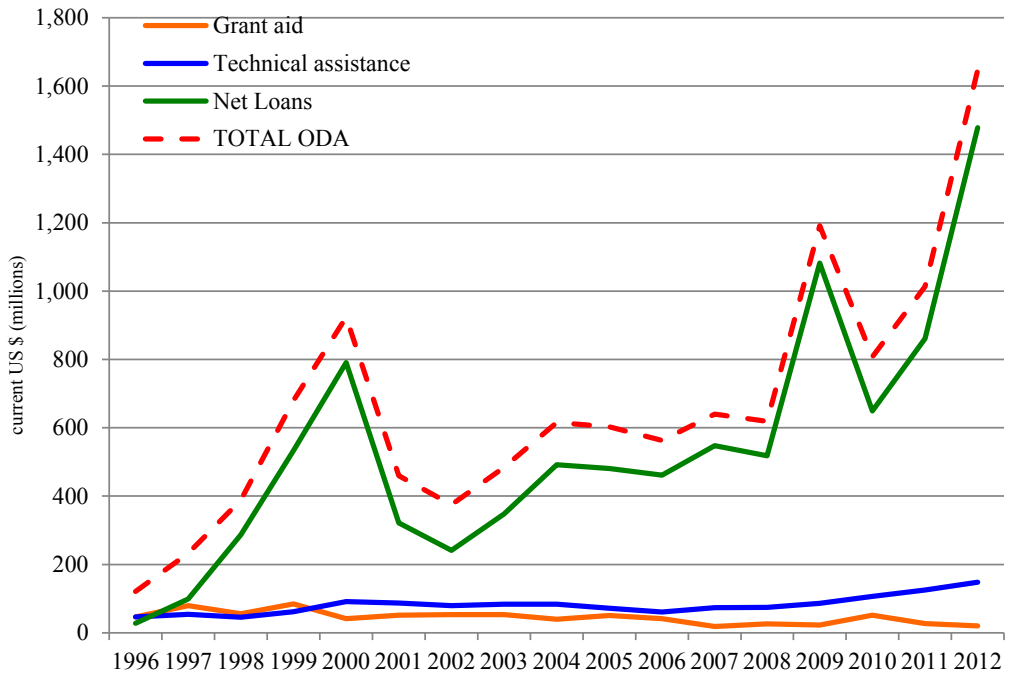
Data Source: World Development Indicators

Fig 7.2 Japan's ODA to Mekong States, 1960-2011



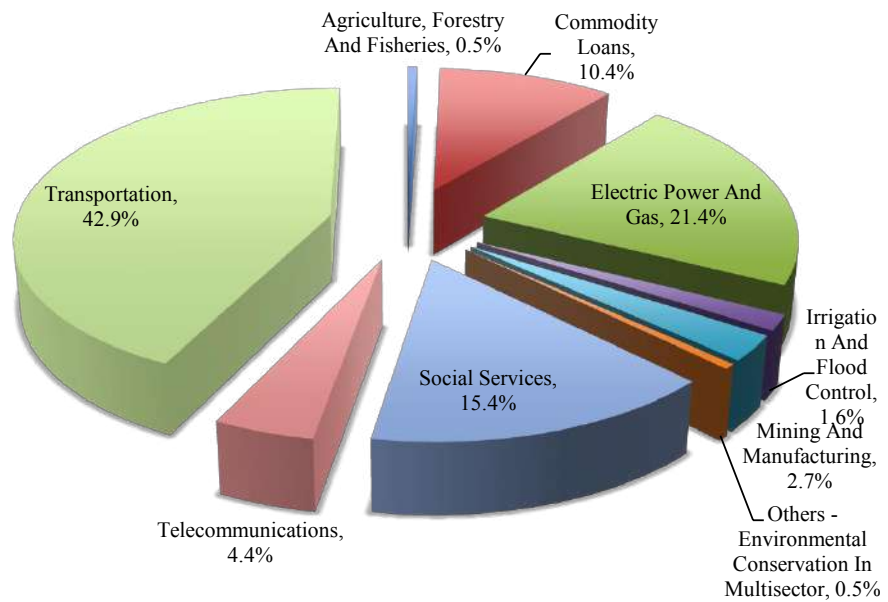
Data Source: OECD DAC

Fig 7.3 ODA disbursements to Vietnam, 1996-2012



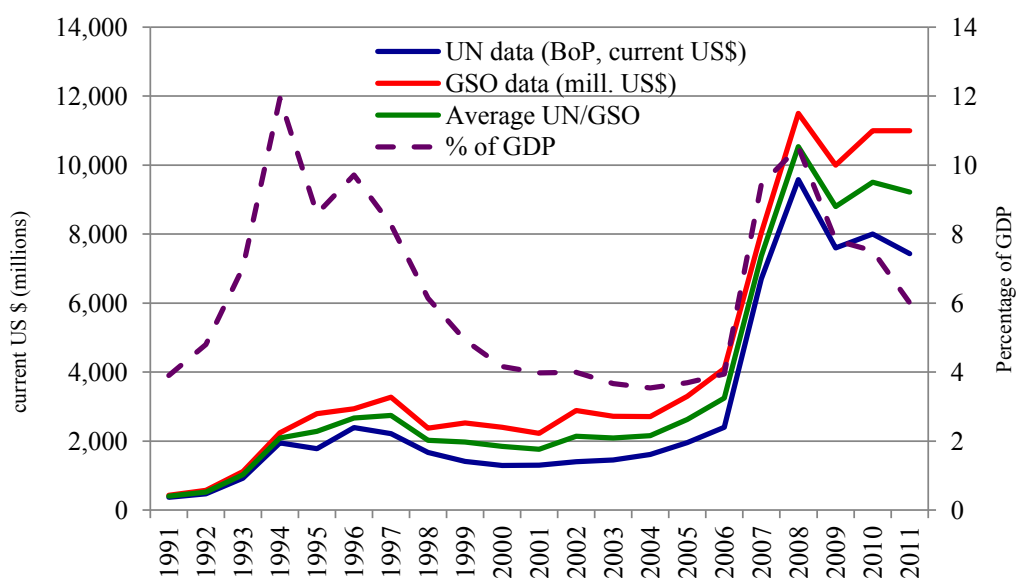
Data Source: Ministry of Foreign Affairs (Japan), White Papers, 1996-2013

Fig 7.4 Japanese ODA Loan Disbursements by Sector, 1972-2014



Data source: JICA Loan Project Data

Fig 7.5 Yearly Inflows of FDI into Vietnam and Proportion of GDP



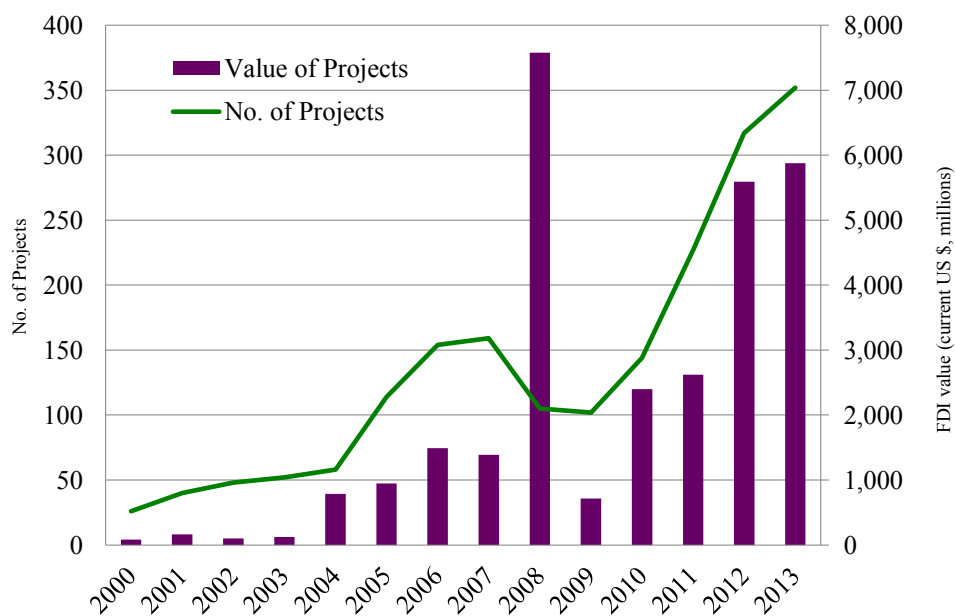
Data Source: UN World Development Indicators and Vietnam General Statistics Office

Note: UN data is current US dollar, whereas Vietnam's GSO is not specific on which dollar calculation they use

Note 2: Percentage of GDP is UN data

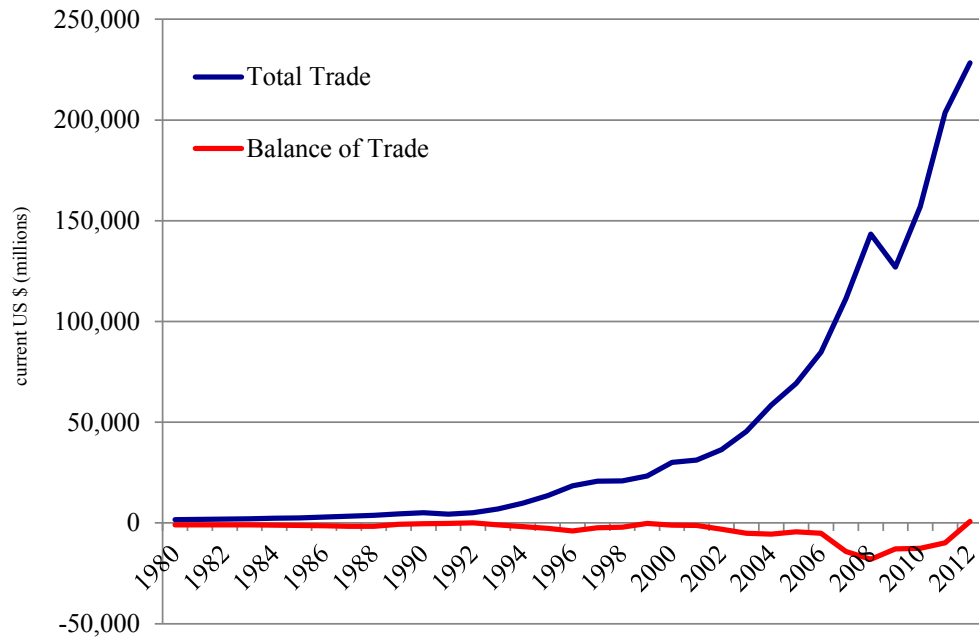
Note 3: Both UN and GSO statistics are presented here due to the different recording of the effect of the financial crisis in 2008

Fig 7.6 Japanese FDI by project and implementation capital (2000-2013)



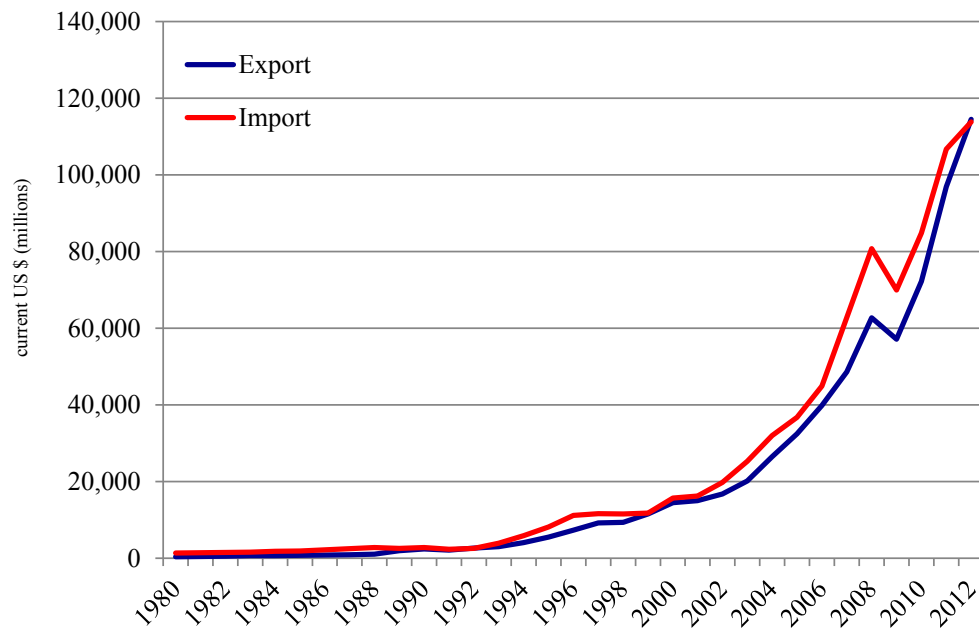
Data Source: Compiled from Vietnam General Statistics Office (GSO) Statistical Yearbooks

Fig 7.7 Vietnam's Volume of Trade and Balance of Trade 1980-2012



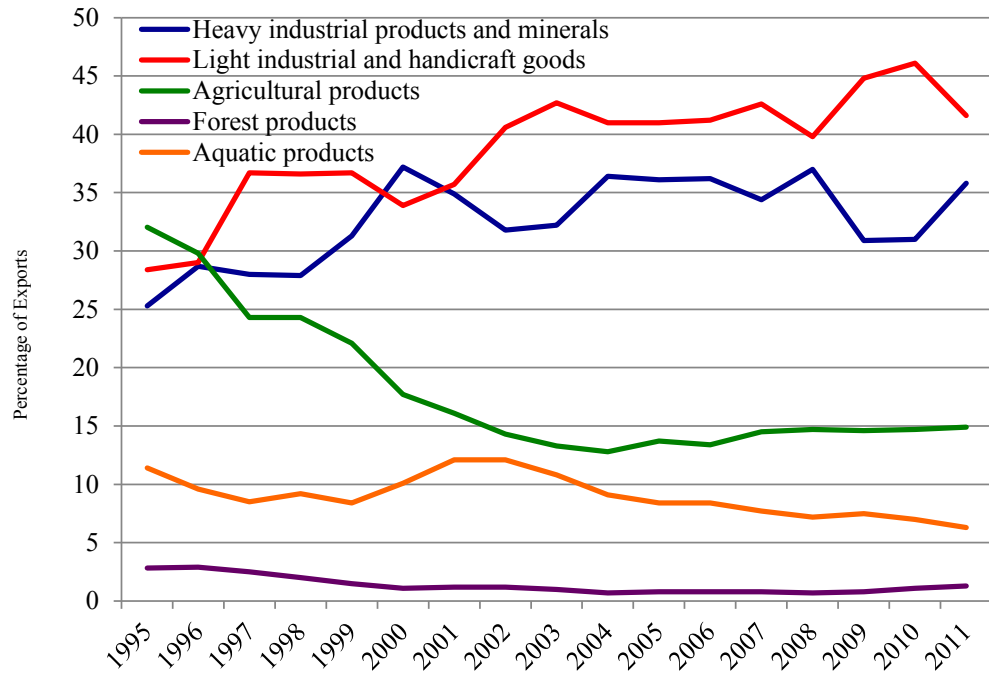
Data Source: IMF Direction of Trade Statistics

Fig 7.8 Vietnam's Exports and Imports, 1980-2012



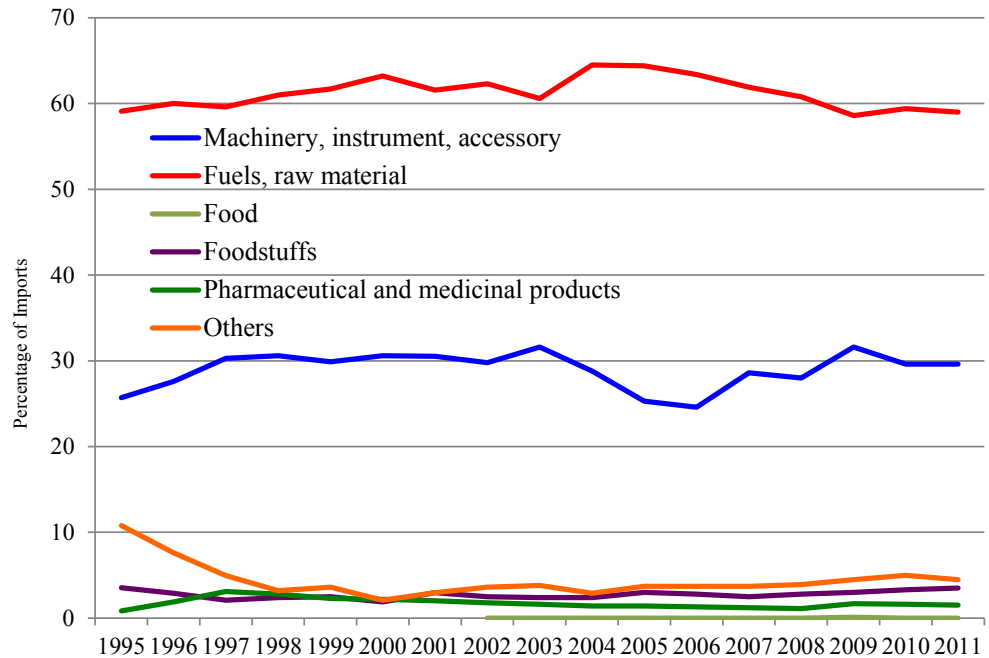
Data Source: IMF Direction of Trade Statistics

Fig 7.9 Vietnam's Exports by Share of Total



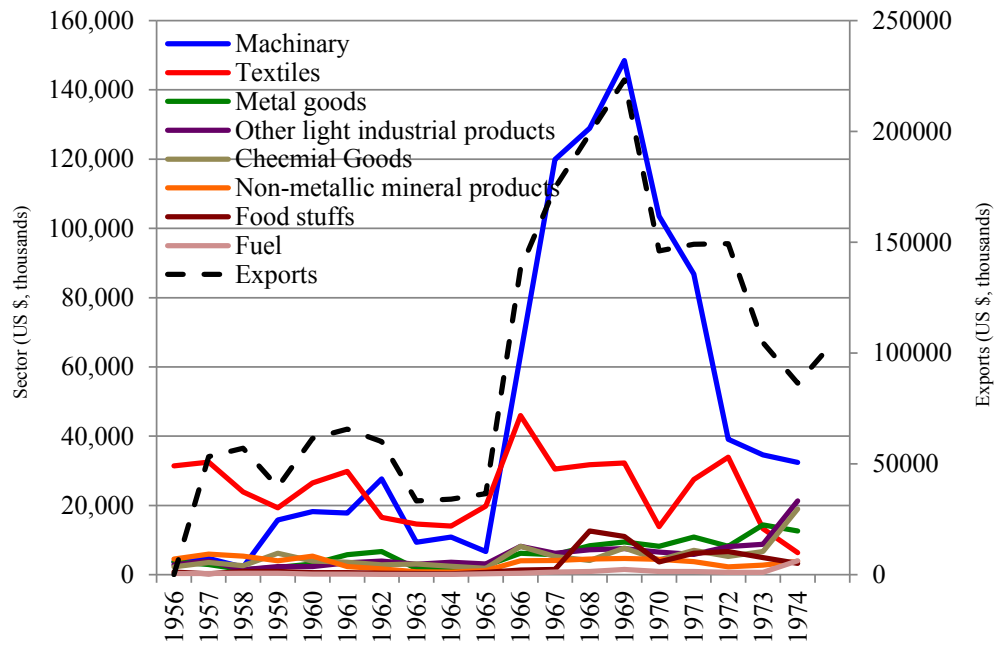
Data Source: Compiled from Vietnam General Statistics Office (GSO) Statistical Yearbooks

Fig 7.10 Vietnam's Imports by Share of Total



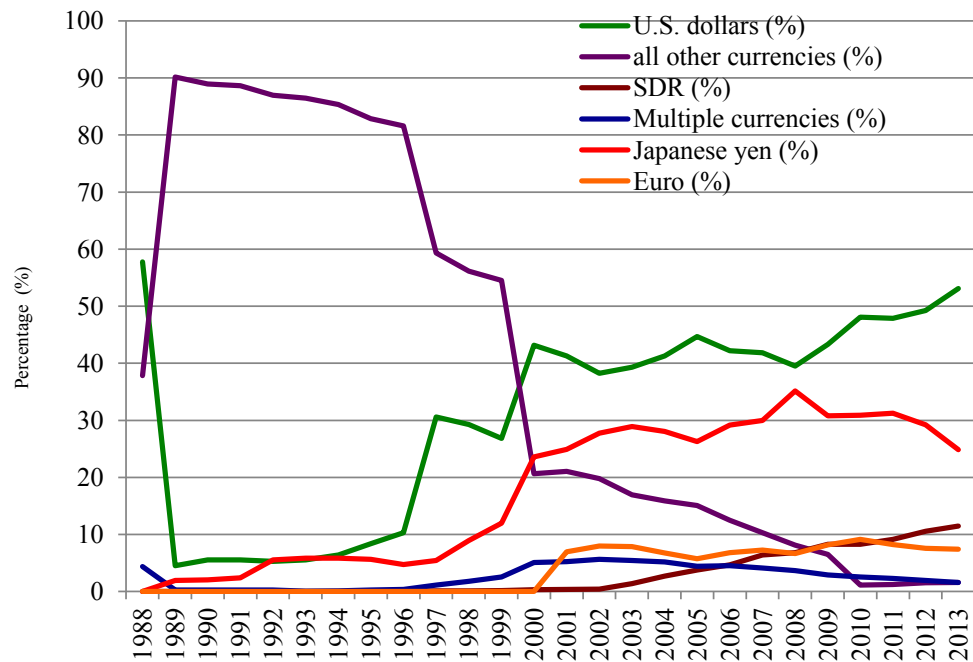
Data Source: Compiled from Vietnam General Statistics Office (GSO) Statistical Yearbooks

Fig 7.11 Japanese Exports to South Vietnam by Commodity, 1956-1974



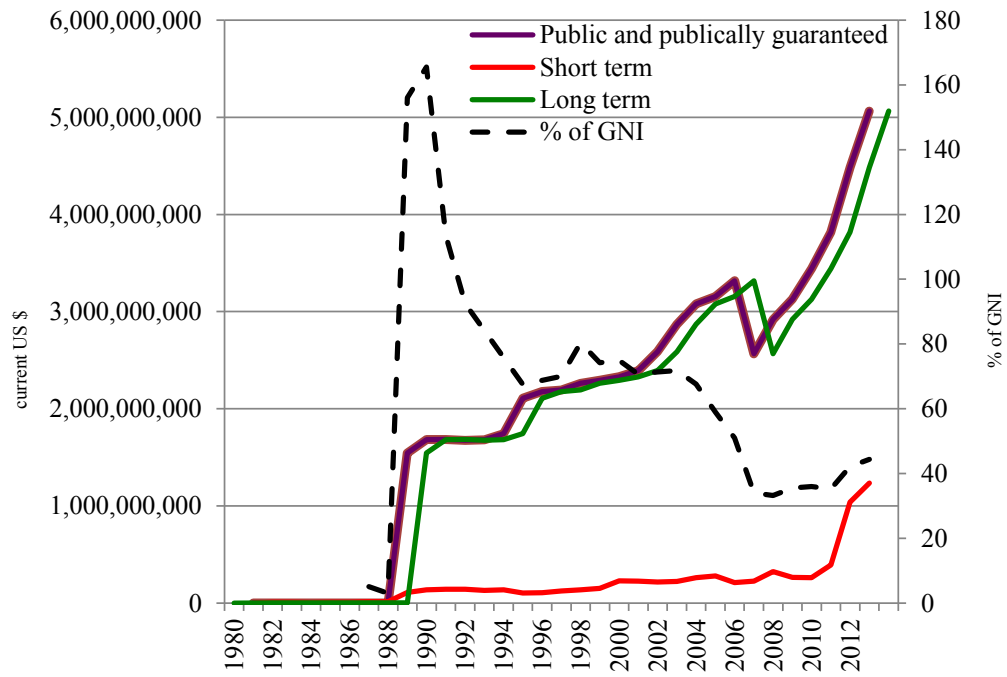
Data Source: Shiraishi, Masaya (1990) Japanese Relations with Vietnam, 1951-1987. Ithaca, NY: Cornell University Press, Southeast Asia Program, p. 26. - p. 27.

Fig 7.12 Percentage of External Long-term Public and Publicly-guaranteed Debt (1988-2013)



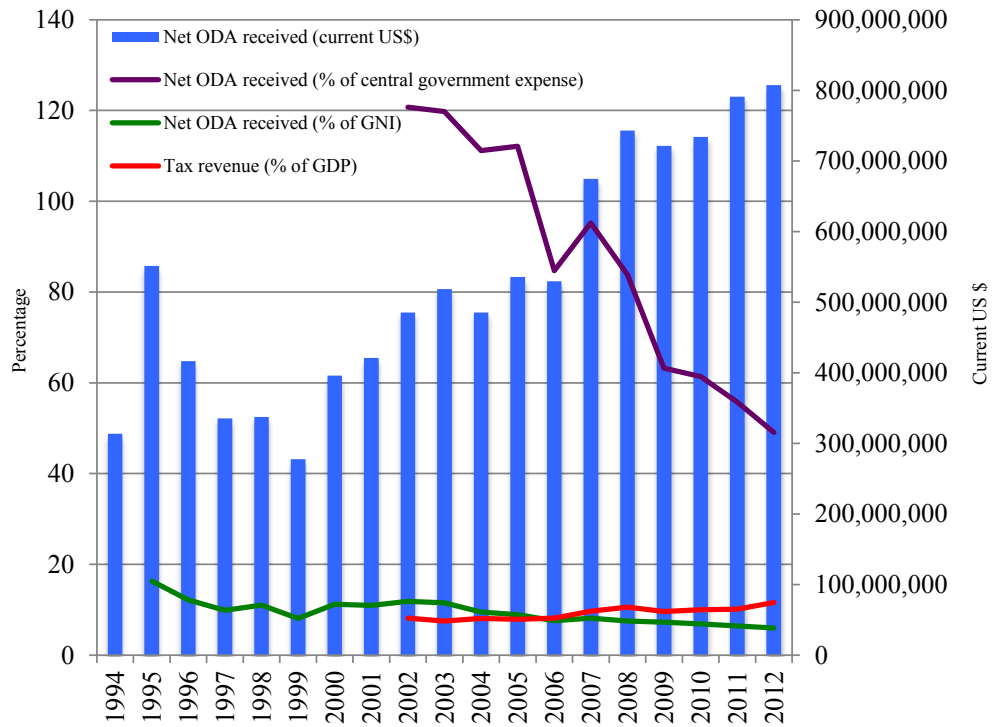
Data Source: World Development Indicators

Fig 8.1 Cambodia's External Debt Stocks, 1980-2013



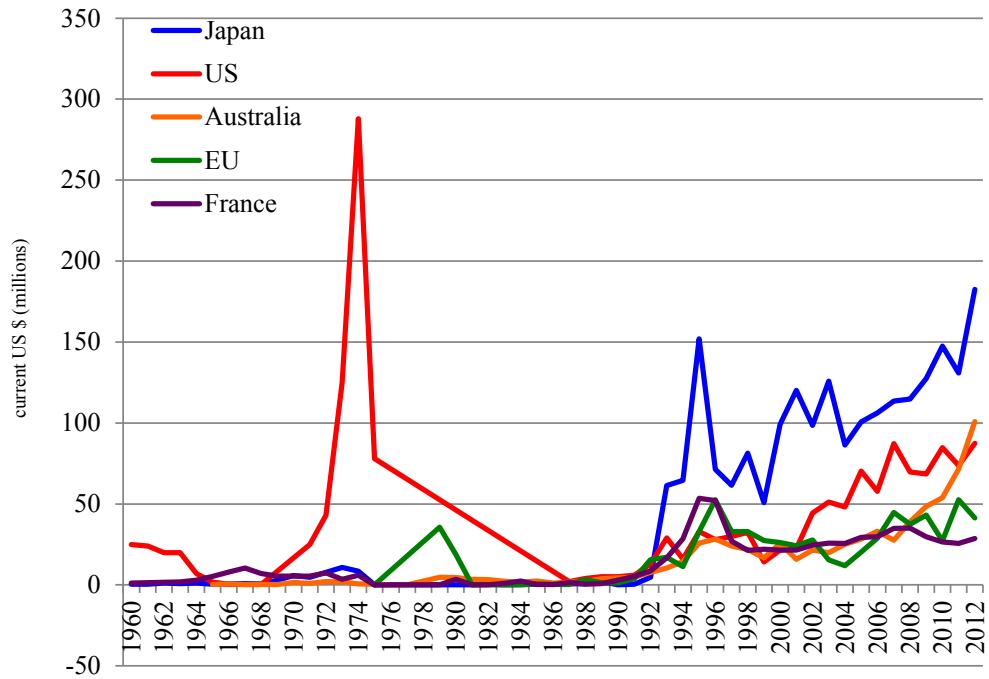
Data Source: World Development Indicators

Fig 8.2 Cambodia and ODA, 1994-2012



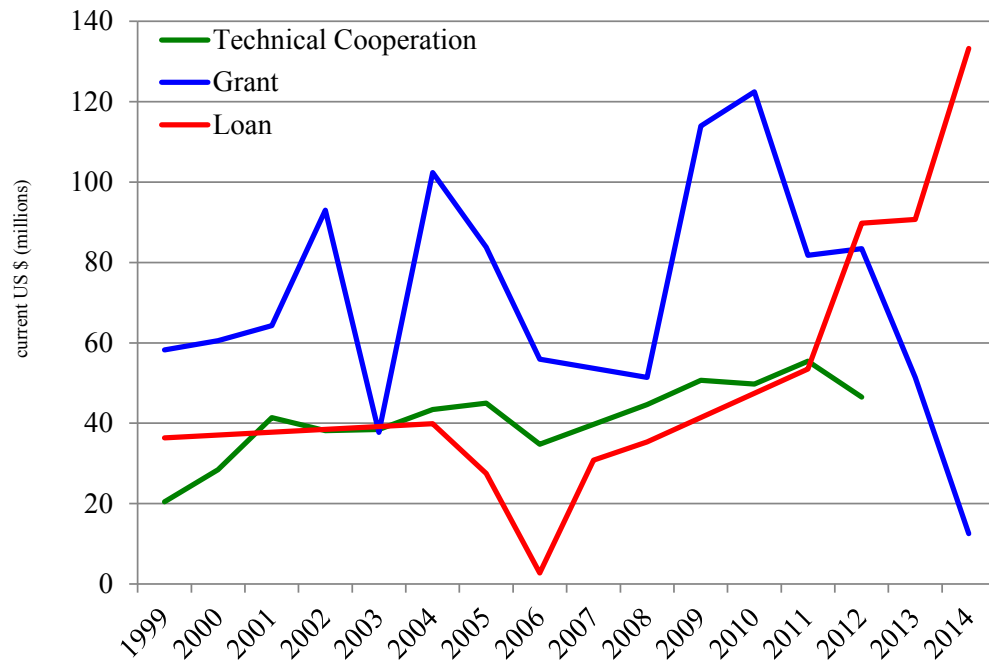
Data Source: World Development Indicators

Fig 8.3 Top Five ODA Donors to Cambodia, 1960-2012



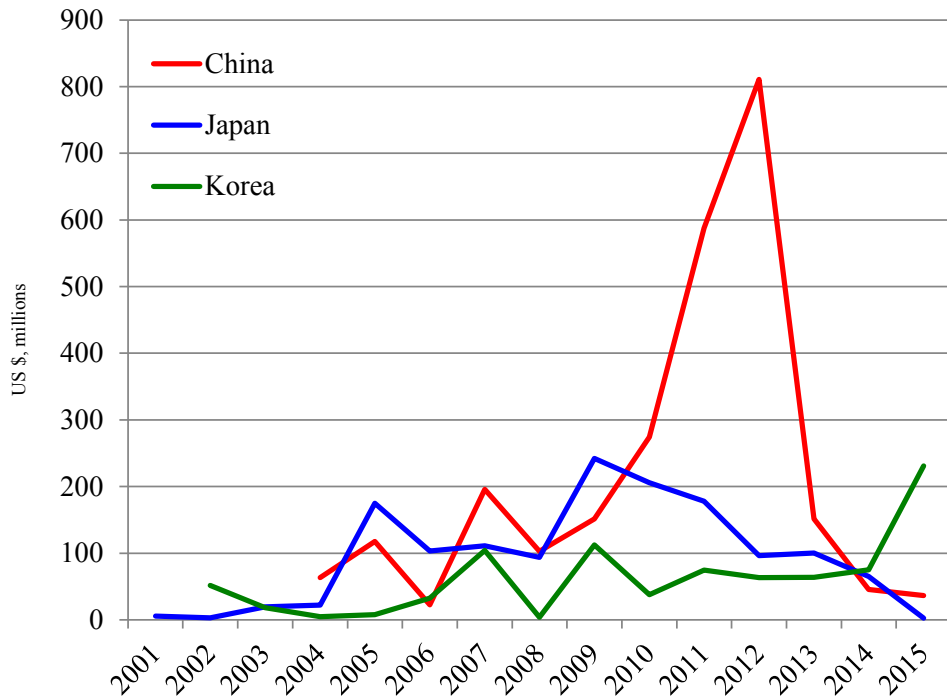
Data Source: World Development Indicators

Fig 8.4 Japan's ODA disbursement composition to Cambodia, 1999-2014



Data source: compiled from various sources

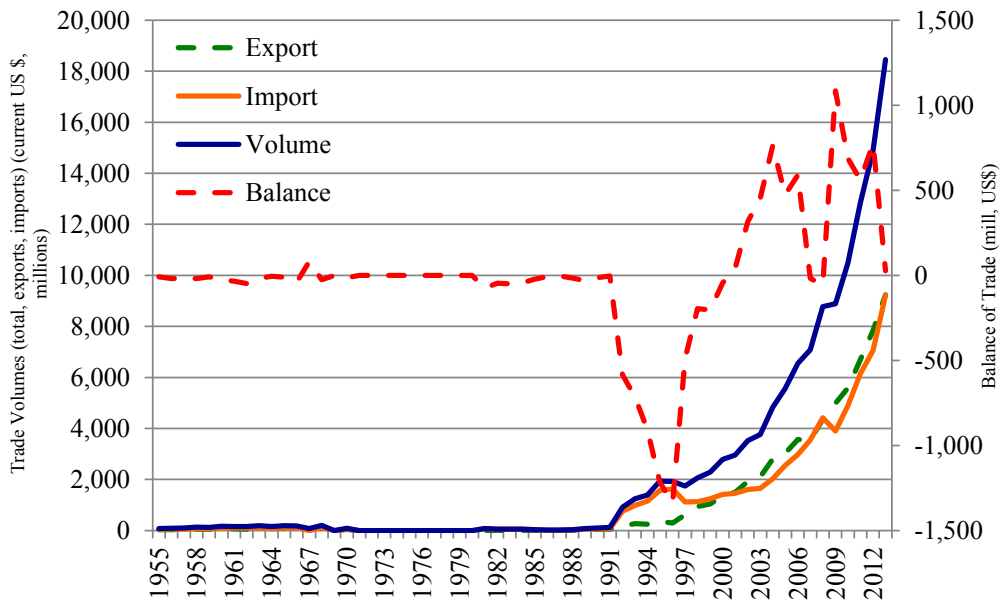
Fig 8.5 ODA from Japan, China and Korea to Cambodia, 2001-2015



Data Source: JICA (various)

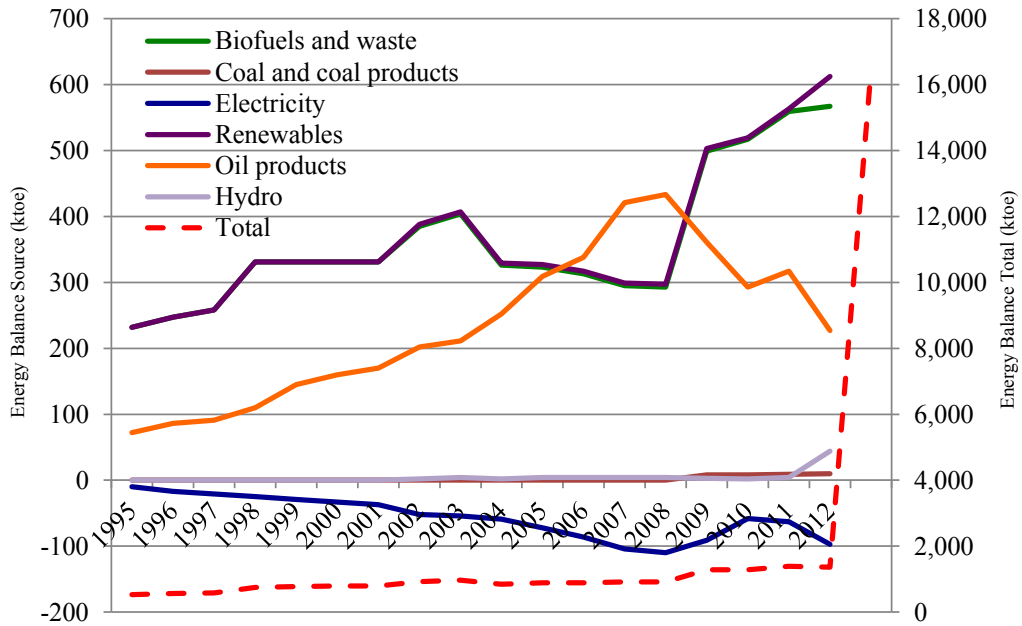
Note: This data has been calculated from raw lists of project data rather than summary statistics reported to the OECD. The dollar calculations are the result of the rate in the year of the project commitment.

Fig 8.6 Cambodia's Trade Profile, 1955-2012



Data Source: IMF direction of trade

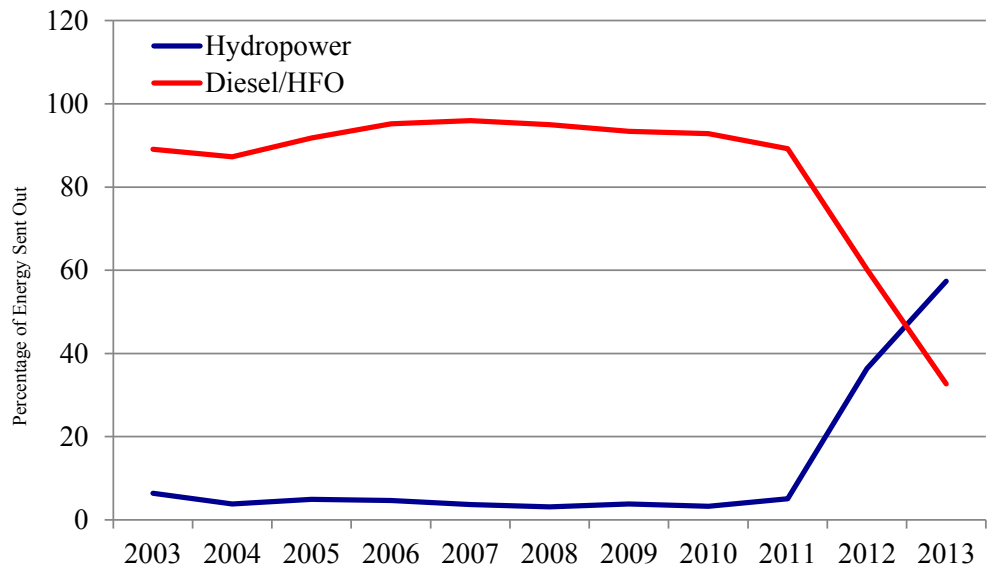
Fig 8.7 Cambodia's Energy Balance, 1995-2012



Data Source: International Energy Agency.

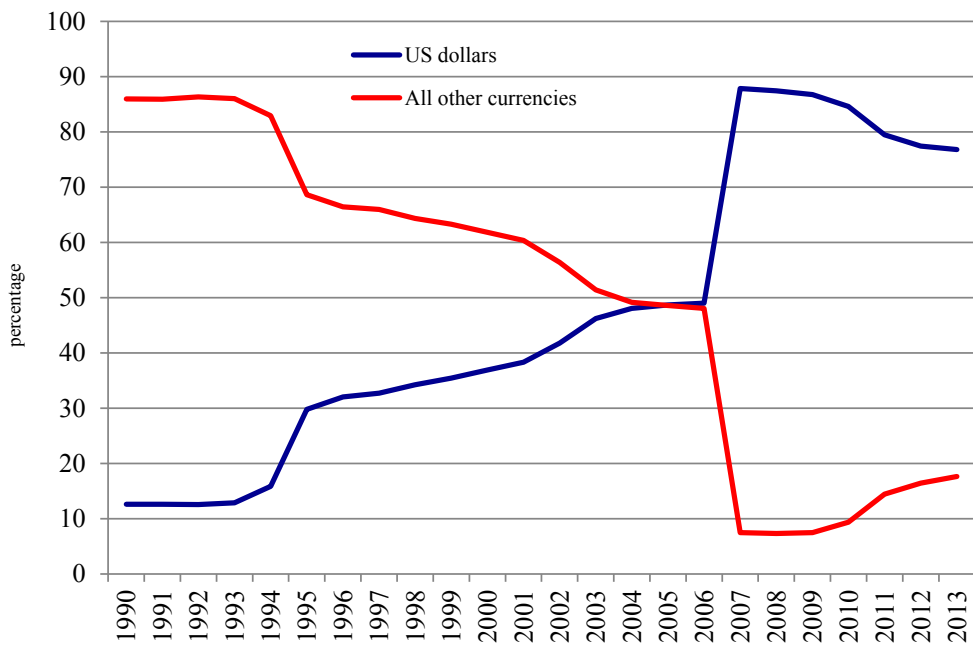
Note: The categories of: crude, geothermal, heat production from non-specified combustible fuels, natural gas, nuclear, oil shale/oil sands, peat and solar have not been included because their production and consumption is zero in Cambodia.

Fig 8.8 Percentage of Electrical Energy Sent Out by Generating Source in Cambodia (2003-2013)



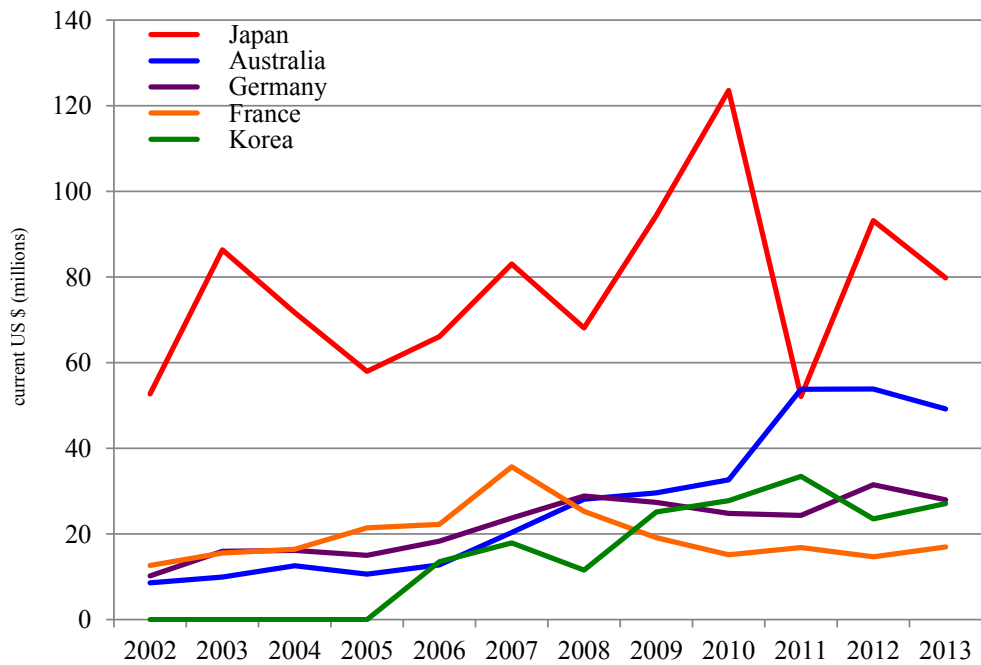
Data Source: compiled from various Electricity Authority Cambodia (EAC) Annual Reports

Fig 8.9 Currency Composition of Public and Public Guaranteed (PPG) Debt in Cambodia (1990-2013)



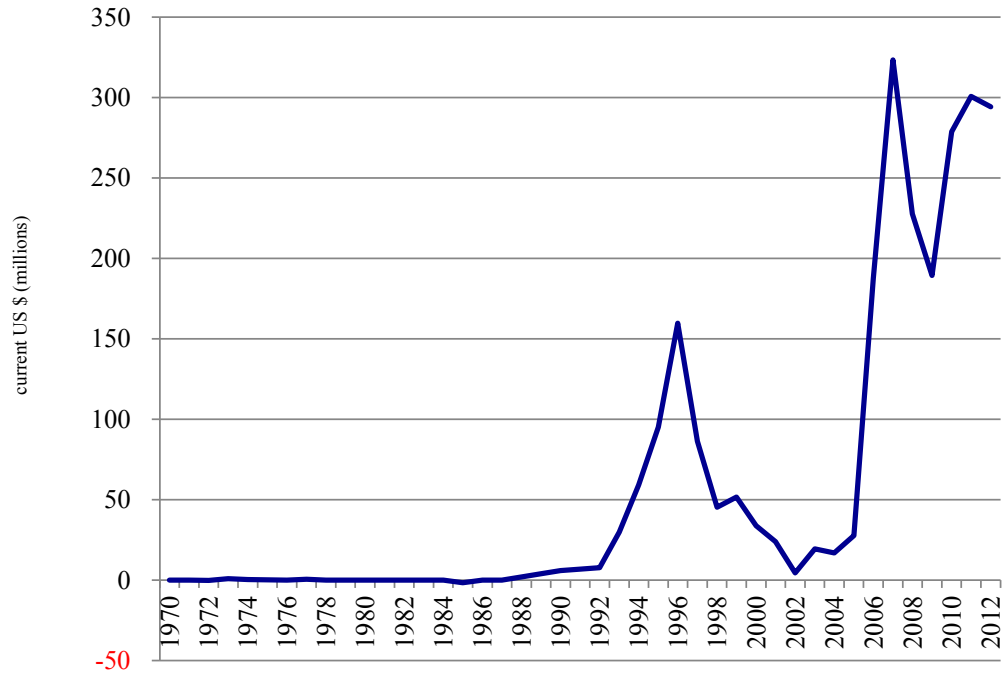
Data Source: World Bank - World Development Indicators

Fig 9.1 Top 5 OECD DAC donors to Laos, 2002-2013



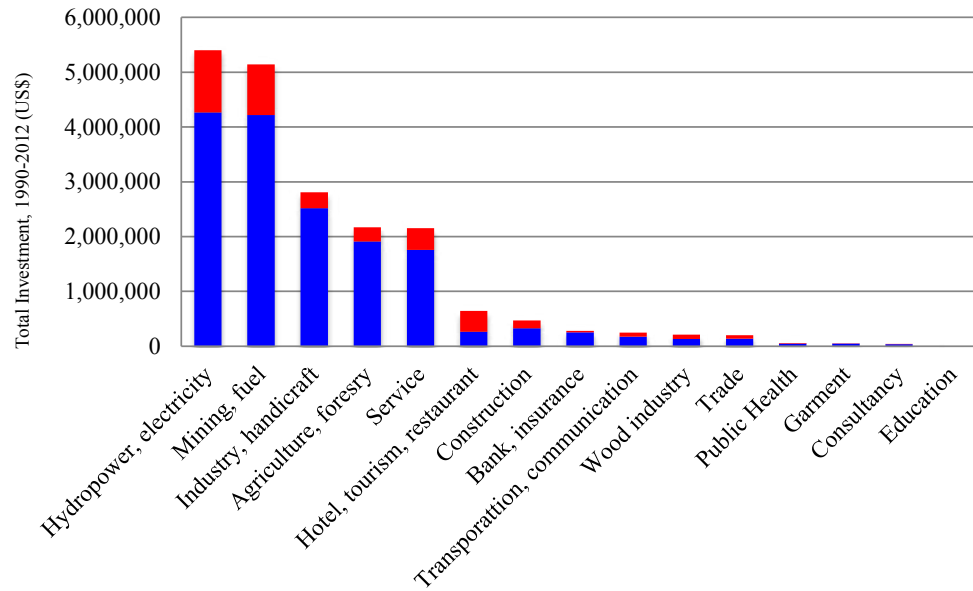
Data source: OECD creditor reporting system (disbursements), compiled by author

Fig 9.2 Inward FDI into Laos, 1970-2012



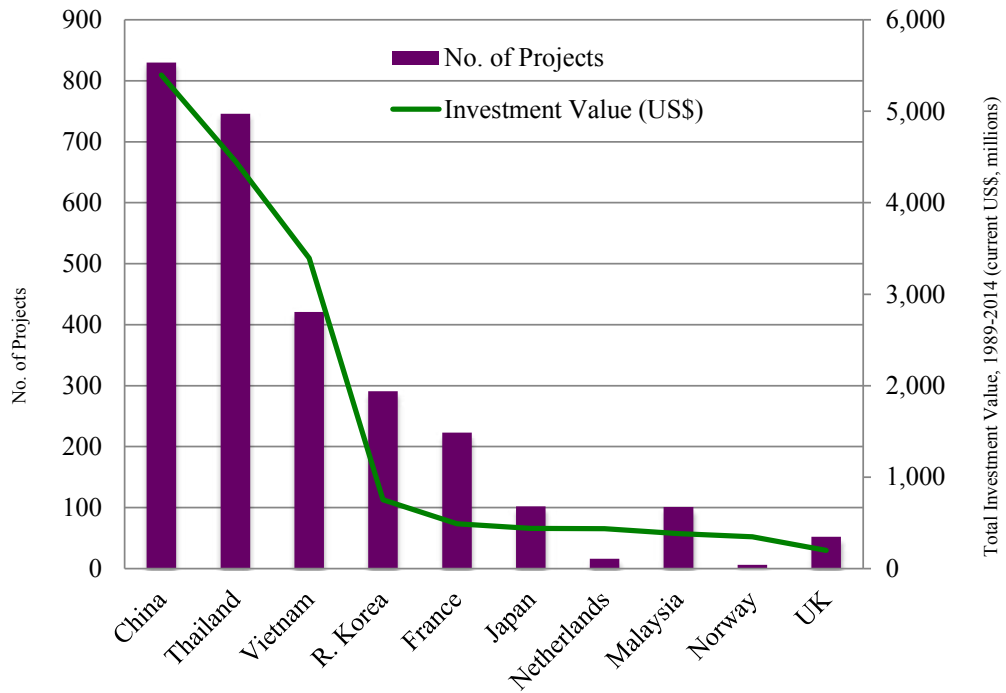
Data Source: UNCTAD

Fig 9.3 FDI by Sector in Laos, 1990-2012



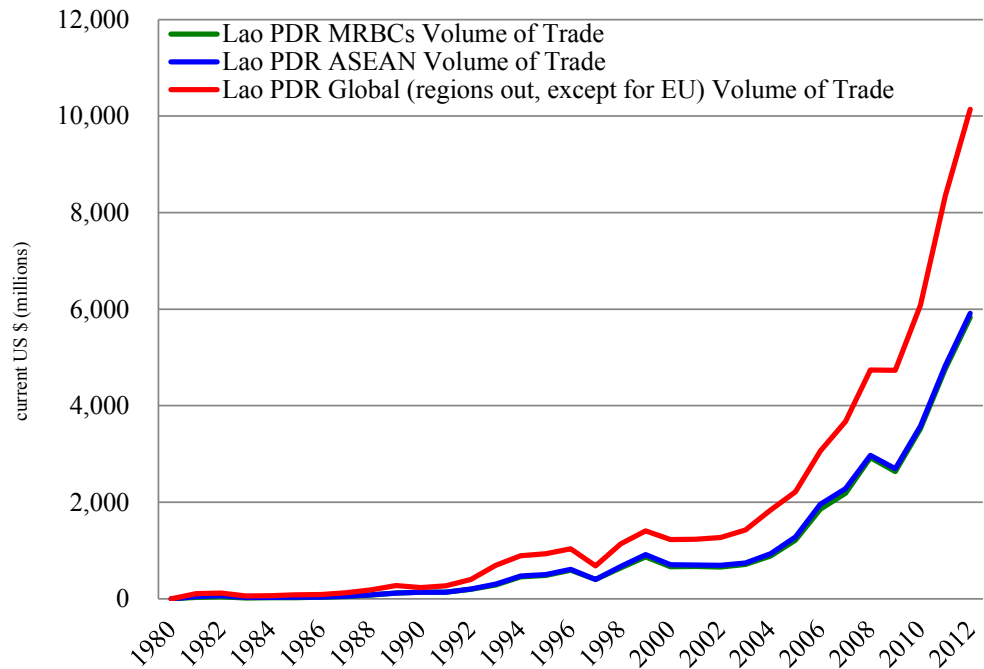
Data Source: Compiled from various Statistical Yearbooks (Committee for Planning and Investment, National Statistics Centre)

Fig 9.4 FDI by Investing Country in Laos, 1989-2014



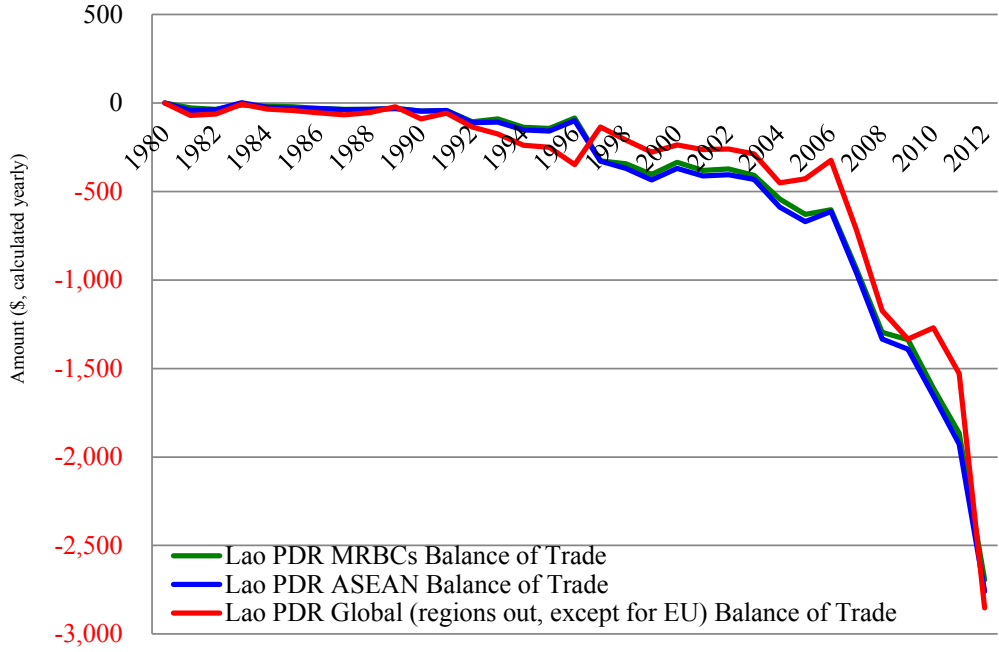
Data source: Ministry of Planning and Investment, Investment Promotion Department

Fig 9.5 Laos Volume of Trade, Level of Analysis - sub-regional (MRBC), regional (ASEAN), and Global, 1980-2012



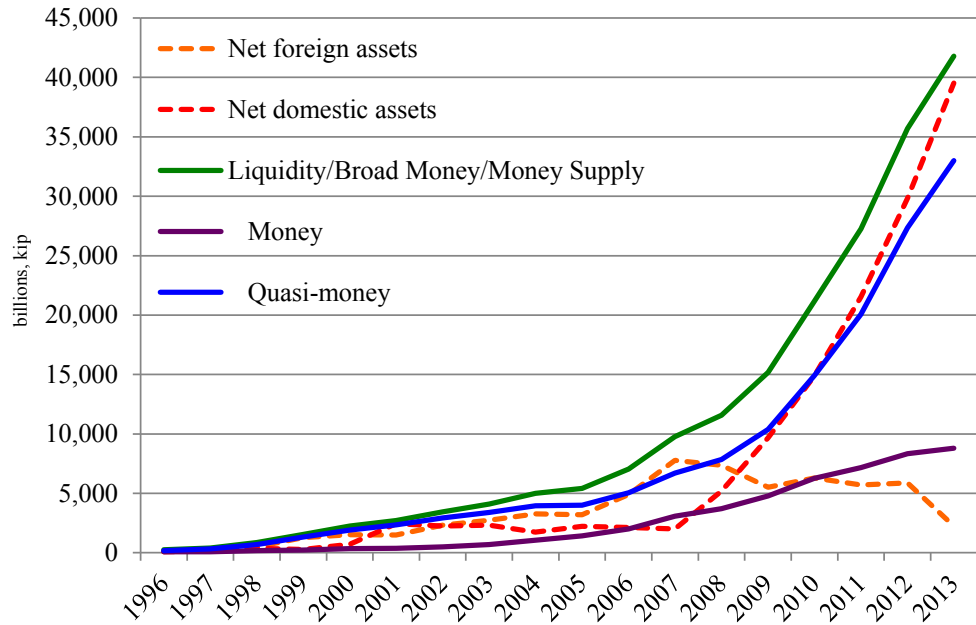
Data source: IMF (Direction of Trade statistics)

Fig 9.6 Laos Balance of Trade, Level of Analysis - sub-regional (MRBC), regional (ASEAN), and Global, 1980-2012



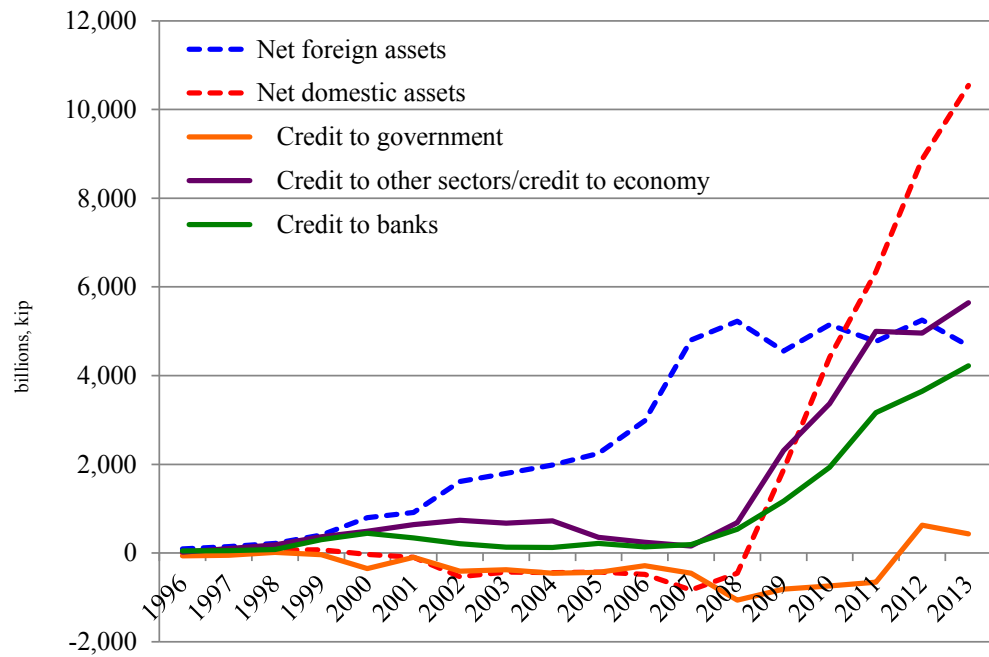
Data source: IMF (Direction of Trade statistics)

Fig 9.7 Laos Monetary System, 1996-2013



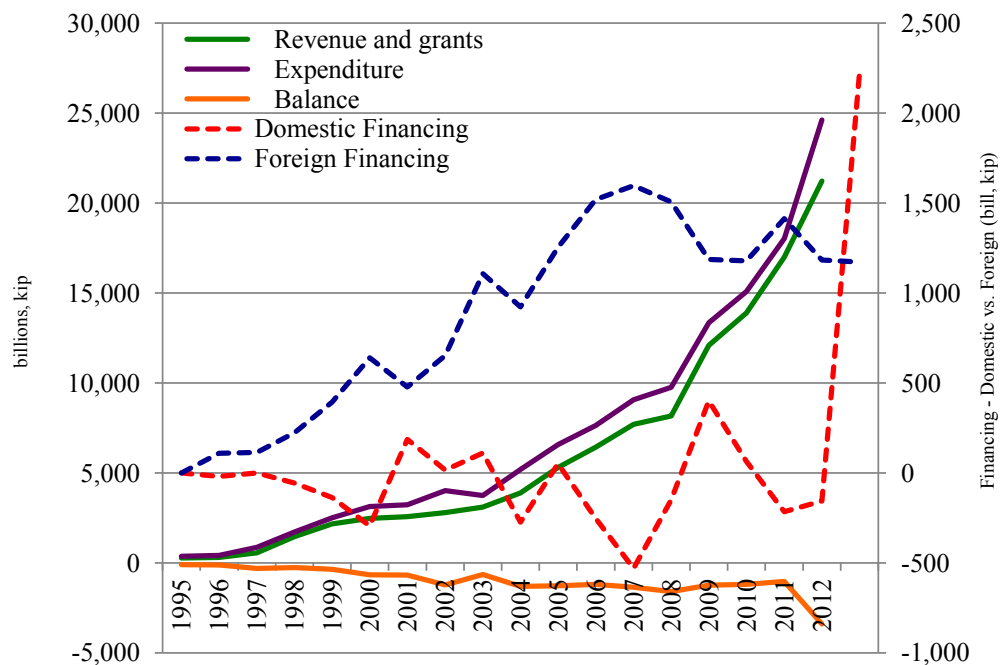
Data source: Bank of Laos annual reports (compiled by author)

Fig 9.8 Laos Central Bank Survey, 1999-2013



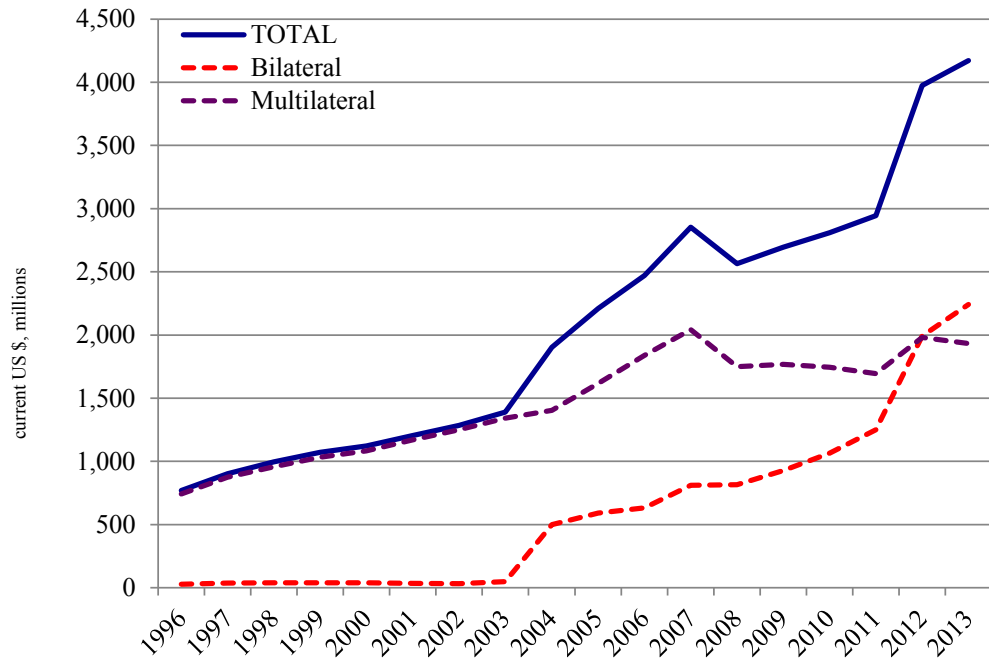
Data source: Bank of Laos annual reports (compiled by author)

Fig 9.9 Laos Government Revenue, Expenditure and Balance Financing



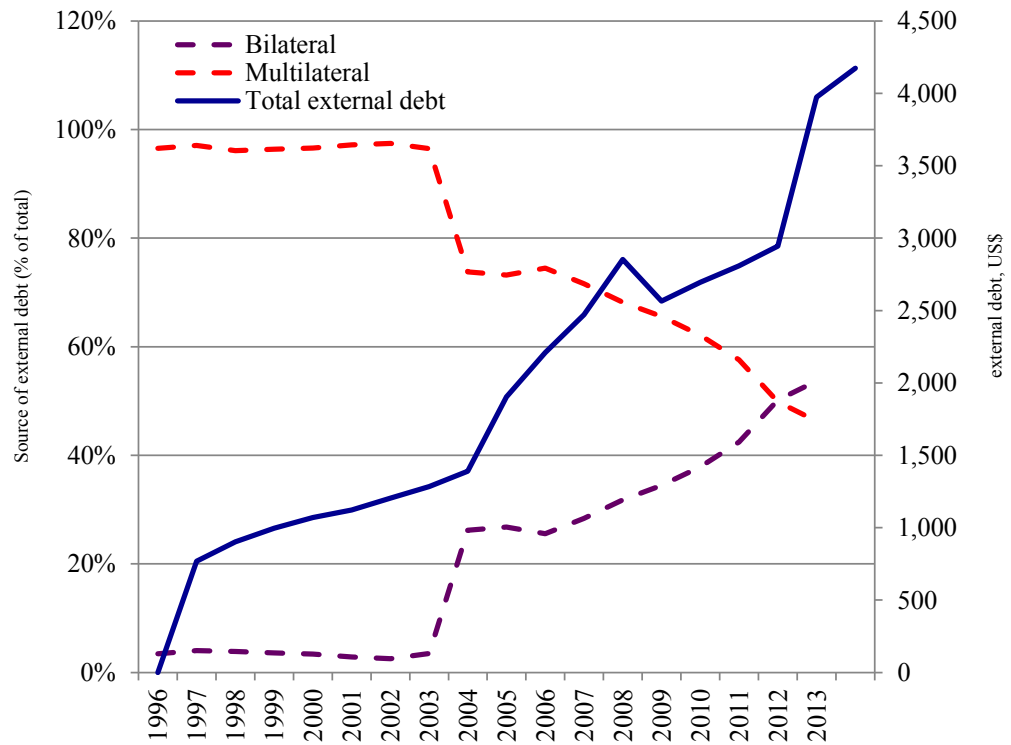
Data source: Bank of Laos annual reports (compiled by author)

Fig 9.10 Laos Official External Debt, 1996-2013



Data source: Bank of Laos annual reports (compiled by author)

Fig 9.11 Proportion of Laos's External Debt by Source, 1996-2013



Data source: Bank of Laos annual reports (compiled by author)

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Table 4.1 Top 20 OECD and BRIC Country FDI Outflows, (US dollar, million)

| | 1990 | 1995 | 2000 | 2005 | 2010 | 2013 | AVERAGE |
|----------------|---------|---------|---------|---------|---------|---------|---------|
| European Union | 131,786 | 164,429 | 944,603 | 604,231 | 482,899 | 251,622 | 420,013 |
| United States | 37,180 | 98,748 | 159,214 | 36,236 | 301,079 | 359,641 | 194,373 |
| United Kingdom | 19,425 | 49,094 | 235,516 | 79,995 | 39,489 | 19,439 | 83,828 |
| France | 36,228 | 15,758 | 177,482 | 114,909 | 64,576 | -2,554 | 67,856 |
| Germany | 24,232 | 39,052 | 56,567 | 75,848 | 126,318 | 57,539 | 59,362 |
| Japan | 50,772 | 22,628 | 31,539 | 45,831 | 56,276 | 135,745 | 50,575 |
| Netherlands | 13,661 | 20,176 | 75,649 | 122,998 | 68,345 | 37,425 | 40,939 |
| Spain | 3,442 | 4,670 | 58,224 | 41,805 | 37,846 | 26,030 | 33,060 |
| Canada | 5,235 | 11,462 | 44,678 | 27,540 | 34,721 | 42,624 | 30,959 |
| Switzerland | 6,708 | 12,214 | 44,698 | 50,994 | 87,460 | 59,955 | 30,812 |
| Belgium | 0 | 0 | 0 | 32,640 | 24,538 | -26,368 | 23,078 |
| Italy | 7,612 | 5,731 | 12,318 | 41,795 | 32,657 | 31,662 | 22,857 |
| Sweden | 14,748 | 11,214 | 40,970 | 27,716 | 20,364 | 33,286 | 19,591 |
| China | 830 | 2,000 | 916 | 13,730 | 57,954 | 73,200 | 18,039 |
| Russian Fed. | 0 | 606 | 3,177 | 16,747 | 41,116 | 70,122 | 17,176 |
| Korea | 1,133 | 3,869 | 4,842 | 8,330 | 28,280 | 29,172 | 10,451 |
| Norway | 1,432 | 2,855 | 9,510 | 23,682 | 23,238 | 17,909 | 9,667 |
| Ireland | 365 | 820 | 4,630 | 14,304 | 22,350 | 22,847 | 9,010 |
| Austria | 1,627 | 935 | 5,511 | 11,138 | 9,995 | 13,936 | 8,855 |
| Luxembourg | 0 | 0 | 0 | 9,034 | 20,842 | 21,329 | 7,424 |

Data Source: OECD, FDI series of BOP and IIP aggregates

Note 1: FDI outflow measured using Balance of Payments (BoP)

Note 2: Total here represents all years between 1990 and 2013, not the selected years of this table

Table 4.2 Top 20 OECD and BRIC Country FDI Outward Position (FDI Stock), (US dollar, million)

| | 1990 | 1995 | 2000 | 2005 | 2013 | TOTAL (1990-2013) |
|----------------|---------|---------|-----------|-----------|------------|----------------------|
| European Union | 0 | 0 | 0 | 5,273,012 | 10,397,848 | 89,263,298 |
| United States | 616,655 | 885,506 | 1,531,607 | 2,651,721 | 5,366,043 | 54,991,797 |
| United Kingdom | 236,118 | 330,665 | 923,366 | 1,215,513 | 1,884,937 | 23,473,598 |
| Germany | 130,760 | 233,107 | 486,750 | 831,364 | 1,647,635 | 17,311,444 |
| France | 110,121 | 204,430 | 445,087 | 868,469 | 1,564,980 | 17,258,247 |
| Netherlands | 105,085 | 172,348 | 305,458 | 643,913 | 1,071,834 | 12,105,211 |
| Japan | 201,440 | 238,452 | 278,441 | 386,581 | 1,117,563 | 10,835,564 |
| Switzerland | 66,087 | | 232,176 | 431,980 | 1,259,369 | 10,449,680 |
| Belgium | 40,636 | 80,690 | 179,773 | 378,684 | 0 | 8,061,203 |
| Canada | 84,813 | 118,106 | 237,647 | 388,317 | 738,770 | 7,929,428 |
| Spain | 15,652 | 31,037 | 129,192 | 305,427 | 643,235 | 6,439,013 |
| Italy | 60,195 | 106,319 | 180,274 | 293,475 | 598,366 | 6,331,939 |
| Sweden | 50,720 | 73,143 | 123,260 | 206,865 | 435,964 | 4,532,178 |
| Australia | 31,410 | 55,276 | 92,508 | 205,368 | 438,691 | 4,487,471 |
| Ireland | 0 | 0 | 27,925 | 104,152 | 502,886 | 2,746,190 |
| Russian Fed. | 0 | 2,420 | 20,141 | 146,679 | 0 | 2,697,567 |
| Denmark | 0 | 0 | 73,117 | 129,634 | 269,102 | 2,462,210 |
| China | 0 | 0 | 0 | 64,493 | 0 | 2,000,022 |
| Brazil | 0 | 0 | 0 | 79,259 | 293,277 | 1,849,884 |
| Austria | 4,747 | 11,832 | 24,820 | 71,844 | 238,036 | 1,792,211 |

Data Source: OECD, FDI series of BOP and IIP aggregates

Note 1: FDI outward position measured using International Investment Position (IIP)

Note 2: Total here represents all years between 1990 and 2013, not the selected years of this table

Table 4.3 Top 20 National Origins of the Top 2000 Transnational Corporations (2000-2013)

| | No. of companies | Market Value (bill. US\$) | Sales (bill. US\$) | Profits (bill. US\$) | Assets (bill. US\$) |
|-----------------|-------------------------|--------------------------------------|-------------------------------|---------------------------------|--------------------------------|
| United States | 542 | 14,852 | 11,233 | 874 | 35,829 |
| Japan | 251 | 2,610 | 4,725 | 109 | 18,086 |
| China | 136 | 2,762 | 3,018 | 276 | 17,218 |
| United Kingdom | 95 | 2,319 | 2,170 | 115 | 13,984 |
| Canada | 65 | 1,209 | 830 | 73 | 5,735 |
| France | 64 | 1,377 | 2,185 | 73 | 11,651 |
| South Korea | 64 | 684 | 1,356 | 66 | 2,989 |
| India | 56 | 695 | 616 | 54 | 2,030 |
| Germany | 50 | 1,263 | 2,085 | 96 | 7,636 |
| Switzerland | 48 | 1,389 | 1,022 | 61 | 4,588 |
| Hong Kong-China | 46 | 939 | 575 | 83 | 1,479 |
| Australia | 42 | 1,110 | 638 | 68 | 4,024 |
| Taiwan | 41 | 433 | 530 | 28 | 1,403 |
| Brazil | 31 | 650 | 680 | 45 | 2,483 |
| Italy | 30 | 340 | 823 | -6 | 4,703 |
| Russia | 30 | 640 | 710 | 118 | 1,771 |
| Spain | 28 | 511 | 633 | -8 | 4,660 |
| Sweden | 26 | 499 | 322 | 34 | 2,256 |
| Netherlands | 24 | 774 | 1,130 | 56 | 3,036 |
| Singapore | 20 | 262 | 193 | 22 | 1,000 |

Data Source: Forbes, The Global 2000 (2013)

Table 4.4 Japan's Top 10 Global Transnational Corporations by Industry (ranked by no. of companies, market value and accumulated assets (2000-2013))

| Industry | No. of companies | Industry | Market Value (bill.US\$) | Industry | Assets (bill.US\$) |
|----------------------------|-------------------------|-----------------------------|---------------------------------|-------------------------------|---------------------------|
| Regional Banks | 55 | Auto & Truck Manufacturers | 336.0 | Major Banks | 7,155.3 |
| Electric Utilities | 10 | Major Banks | 233.6 | Regional Banks | 3,465.8 |
| Auto & Truck Parts | 10 | Telecommunications services | 134.5 | Auto & Truck Manufacturers | 742.9 |
| Railroads | 9 | Electronics | 126.0 | Investment Services | 721.1 |
| Electronics | 9 | Pharmaceuticals | 125.5 | Life & Health Insurance | 558.3 |
| Pharmaceuticals | 9 | Trading Companies | 121.0 | Trading Companies | 553.1 |
| Construction Services | 9 | Auto & Truck Parts | 109.3 | Electric Utilities | 552.2 |
| Auto & Truck Manufacturers | 8 | Railroads | 105.0 | Property & Casualty Insurance | 475.0 |
| Trading Companies | 8 | Regional Banks | 102.3 | Consumer Electronics | 348.9 |
| Consumer Electronics | 8 | Real Estate | 89.4 | Telecommunications services | 331.7 |

Data Source: Forbes, The Global 2000 (2013)

Table 4.5 Overseas Development Assistance (ODA), 1960-2013

| <i>US dollar, (current prices, millions)</i> | 1960 | 1965 | 1970 | 1975 | 1980 | 1985 | 1990 | 1995 | 2000 | 2005 | 2010 | 2013 | TOTAL |
|--|------|------|-------|-------|-------|--------|--------|--------|--------|--------|--------|--------|---------|
| Total Official And Private Flows (I+II+III+IV) | 246 | 486 | 1,824 | 2,880 | 6,815 | 11,528 | 17,229 | 42,295 | 11,423 | 23,238 | 48,249 | 0 | 796,152 |
| I. Official Development Assistance (I.A + I.B) | 105 | 244 | 458 | 1,148 | 3,353 | 3,797 | 9,069 | 14,489 | 13,508 | 13,126 | 11,058 | 11,786 | 324,707 |
| I.A. Bilateral | 79 | 226 | 372 | 850 | 2,010 | 2,557 | 6,786 | 10,419 | 9,768 | 10,385 | 7,337 | 8,814 | 235,161 |
| I.B. Multilateral | 26 | 17 | 86 | 297 | 1,343 | 1,240 | 2,282 | 4,071 | 3,740 | 2,740 | 3,720 | 2,972 | 89,546 |
| II. Other Official Flows | 38 | 110 | 694 | 1,369 | 1,478 | -302 | 3,367 | 5,544 | -5,041 | -2,421 | 3,662 | 0 | 70,584 |
| III. Private Flows At Market Terms (referring to charity, FDI, export credits) | 103 | 132 | 669 | 352 | 1,958 | 7,932 | 4,690 | 22,046 | 2,725 | 12,278 | 32,837 | 0 | 404,814 |
| ODA % GNI | 0.24 | 0.27 | 0.23 | 0.23 | 0.32 | 0.29 | 0.31 | 0.27 | 0.28 | 0.28 | 0.2 | 0.23 | |
| Total Flows % GNI | 0.57 | 0.55 | 0.9 | 0.58 | 0.66 | 0.87 | 0.58 | 0.79 | 0.24 | 0.5 | 0.86 | 0 | |

Data Source – OECD, total flows by donor, net disbursements

Note 1 : Total here represents all years between 1960 and 2013, not the selected years of this table

Table 6.1 ASEAN Economy's Inward and outward FDI stock as a Decade Average Percentage of GDP, 1980-2012

| | 1980s average | 1990s average | 2000s average | 1980-2012 average |
|------------------------|------------------|------------------|------------------|----------------------|
| Singapore | 57.38 | 83.83 | 192.34 | 123.93 |
| Brunei Darussalam | 0.48 | 21.87 | 91.44 | 41.97 |
| Malaysia | 19.79 | 34.56 | 36.82 | 31.41 |
| Viet Nam | 1.03 | 25.29 | 46.19 | 26.73 |
| Cambodia | 3.65 | 16.37 | 42.99 | 24.12 |
| Myanmar | 0.20 | 22.11 | 37.53 | 19.92 |
| Thailand | 4.69 | 12.91 | 32.84 | 19.02 |
| Lao People's Dem. Rep. | 0.40 | 15.87 | 29.93 | 16.48 |
| Indonesia | 6.07 | 12.10 | 12.10 | 11.23 |
| Philippines | 6.18 | 9.37 | 14.05 | 10.12 |

Data Source: UNCTAD

Table 6.2 Proportion of FDI by Country into Thailand

| | 1985 | 1990 | 1995 | 2000 | 2005 | 2010 | 2013 (Jan-June) | Average (1985-2013) |
|---------------------|------|------|------|------|------|------|--------------------|------------------------|
| Japan | | | | | | | | |
| Projects % of Total | 18% | 29% | 48% | 37% | 45% | 40% | 60% | 40% |
| Value % of Total | 14% | 25% | 48% | 50% | 53% | 36% | 45% | 41% |
| China | | | | | | | | |
| Projects % of Total | 0% | 2% | 1% | 1% | 2% | 3% | 2% | 2% |
| Value % of Total | 0% | 1% | 0% | 0% | 1% | 6% | 1% | 1% |
| US | | | | | | | | |
| Projects % of Total | 22% | 10% | 8% | 9% | 6% | 6% | 5% | 9% |
| Value % of Total | 39% | 10% | 16% | 18% | 3% | 2% | 2% | 14% |
| ASEAN | | | | | | | | |
| Projects % of Total | 14% | 8% | 11% | 17% | 13% | 12% | 11% | 12% |
| Value % of Total | 9% | 9% | 10% | 13% | 11% | 9% | 9% | 9% |
| EU | | | | | | | | |
| Projects % of Total | 20% | 14% | 13% | 18% | 14% | 16% | 10% | 15% |
| Value % of Total | 29% | 12% | 13% | 14% | 10% | 23% | 10% | 17% |

Data Source: Thailand Board of Investment

Table 6.3 Top Ten Bi-lateral ODA Donors to Thailand by Decade, 1960-2010

| <i>mill. current US\$</i> | 1960s | 1970s | 1980s | 1990s | 2000s | TOTAL |
|---------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Japan | 41.9 | 502.6 | 2,731.0 | 5,209.8 | -2,134.1 | 6,351.1 |
| US | 319.1 | 181.0 | 247.0 | 131.4 | 264.3 | 1,142.9 |
| Germany | 50.6 | 73.3 | 332.7 | 398.1 | 24.8 | 879.5 |
| Australia | 14.3 | 66.0 | 178.2 | 227.1 | 76.2 | 561.7 |
| EU | 0.0 | 1.4 | 117.5 | 170.9 | 195.2 | 485.0 |
| France | 0.0 | 18.4 | 64.4 | 340.6 | 24.6 | 448.0 |
| Canada | 4.8 | 9.7 | 160.2 | 150.5 | 32.9 | 358.1 |
| Denmark | 1.0 | 21.6 | 32.7 | 137.1 | 82.4 | 274.8 |
| Netherlands | 0.0 | 17.8 | 64.2 | 66.3 | 38.6 | 186.9 |
| Sweden | 0.1 | 0.7 | 3.7 | 74.5 | 61.2 | 140.2 |

Data Source: World Development Indicators

Table 6.4 Japanese Construction Companies in Thailand, 1963-1986

| <i>Unit:</i> <i>1,000 yen</i> | Japanese Companies | | Japanese-Thai Companies | | Total | |
|----------------------------------|---------------------------|--------------------|--------------------------------|--------------------|--------------------|--------------------|
| <i>Year</i> | <i>Total Value</i> | <i>Project No.</i> | <i>Total Value</i> | <i>Project No.</i> | <i>Total Value</i> | <i>Project No.</i> |
| 1963 | 1,382,000 | 1 | | | 1,382,000 | 1 |
| 1964 | 447,239 | 2 | | | 447,239 | 2 |
| 1965 | 3,492,137 | 6 | | | 3,492,137 | 6 |
| 1966 | 1,321,134 | 10 | | | 1,321,134 | 10 |
| 1967 | 2,888,266 | 6 | | | 2,888,266 | 8 |
| 1968 | 548,273 | 14 | | | 548,273 | 14 |
| 1969 | 6,686,265 | 24 | | | 6,686,265 | 24 |
| 1970 | 13,350,930 | 35 | | | 10,350,930 | 35 |
| 1971 | 2,608,822 | 57 | | | 2,608,822 | 57 |
| 1972 | 4,992,194 | 39 | 515,139 | 9 | 5,507,333 | 48 |
| 1973 | 10,297,079 | 46 | 1,050,152 | 16 | 11,347,231 | 62 |
| 1974 | 844,915 | 5 | 4,830,660 | 24 | 5,675,575 | 29 |
| 1975 | 13,690,150 | 5 | 2,942,697 | 32 | 16,632,847 | 37 |
| 1976 | 5,424,763 | 6 | 15,418,716 | 36 | 20,843,479 | 42 |
| 1977 | 16,820,054 | 16 | 2,112,960 | 17 | 18,933,014 | 33 |
| 1978 | 2,378,061 | 12 | 1,129,148 | 16 | 3,507,209 | 28 |
| 1979 | 1,180,000 | 1 | 5,099,347 | 39 | 6,279,347 | 40 |
| 1980 | 28,608,504 | 16 | 3,559,248 | 21 | 32,167,752 | 37 |
| 1981 | 12,690,530 | 8 | 7,532,578 | 24 | 20,223,108 | 32 |
| 1982 | 16,991,250 | 13 | 12,754,367 | 25 | 29,745,617 | 38 |
| 1983 | 11,275,420 | 14 | 10,289,197 | 39 | 21,564,617 | 53 |
| 1984 | 35,553,568 | 15 | 11,031,487 | 29 | 46,585,055 | 44 |
| 1985 | 6,021,733 | 12 | 1,250,726 | 5 | 7,272,459 | 17 |
| 1986 | 12,073,976 | 16 | 9,576,295 | 71 | 21,650,271 | 87 |
| TOTAL | 208,603,263 | 381 | 89,092,717 | | 297,695,980 | 784 |

Data Source: Chittiwatanapong, P., Karasudhi, P. & Itoga, S. (1989) *Japanese Official Development Assistance to Thailand: Impact on Thai Construction Industry*. Tokyo: Institute of Developing Economies (Yugengaiisha Tohkokohsha), p. 27.

Table 6.5 Yen Loans to Thailand by Sector, 1969-2015

| Sub-sector | No. of Projects | Loan Total (mill JPY) |
|---|-----------------|------------------------|
| Railways | 22 | 406,514 |
| Roads | 33 | 402,396 |
| Airports | 10 | 234,818 |
| Transmission Lines And Distribution Systems | 28 | 209,332 |
| Water Supply, Sewerage And Sanitation | 24 | 145,842 |
| Manufacturing | 20 | 126,375 |
| Agriculture | 21 | 113,018 |
| Telecommunications | 13 | 110,001 |
| Power Plants | 14 | 82,396 |
| Commodity Loans | 2 | 66,000 |
| Irrigation And Flood Control | 14 | 57,878 |
| Ports | 7 | 51,792 |
| Bridges | 10 | 42,031 |
| Education | 4 | 19,351 |
| Other Electric Power And Gas | 2 | 18,724 |
| Tourism | 3 | 14,122 |
| Urban/Rural Community Infrastructure | 1 | 13,412 |
| Fisheries | 4 | 11,731 |
| Gas | 1 | 11,730 |
| Multipurpose Dams | 4 | 9,163 |
| Others | 1 | 5,748 |
| Public Health And Medicine | 1 | 4,959 |
| Other Transportation | 1 | 4,148 |
| Other Mining And Manufacturing | 2 | 2,924 |
| | | TOTAL 2,164,405 |

Data Source: JICA Loan Database

Table 6.6 Accumulated Japan Bank for International Co-operation (JBIC) ODA Projects in ASEAN (1999-2007)

| <i>mill. yen</i> | No. | Value |
|-------------------|-----|-------|
| Indonesia | 651 | 4,270 |
| Thailand | 238 | 2,073 |
| The Philippines | 266 | 2,046 |
| Viet Nam | 125 | 1,277 |
| Malaysia | 74 | 917 |
| Myanmar | 67 | 410 |
| Cambodia | 9 | 20 |
| Laos | 7 | 17 |
| Singapore | 2 | 1.2 |
| Brunei-Darussalam | NA | NA |

Data Source: Compiled from Yearly Japan Bank for International Co-operation (JBIC) Annual Reports

Table 6.7 Major JBIC Funded ODA Projects in Thailand

| Date | Amount (mill. yen) | Project Name |
|-------------|-------------------------------|--|
| 1999 | 64,228 | MRTA Initial System Project (Blue Line) (IV) |
| 1999 | 36,000 | Agriculture Sector Loan |
| 1999 | 33,461 | Second Bangkok International Airport Development Project (III) |
| 1999 | 12,608 | Seventh Bangkok Water Supply Improvement Project (I) |
| 1999 | 4,771 | Community Hospital Wastewater Treatment Project |
| 1999 | 722 | National Metrology System Development Project (I) |
| 2000 | 45,818 | MRTA Initial System Project (Blue Line) (V) |
| 2000 | 19,544 | Regional Road Improvement Project (III) |
| 2000 | 18,506 | Second Bangkok International Airport Development Project (IV) |
| 2000 | 9,601 | Seventh Bangkok Water Supply Improvement Project (II) |
| 2000 | 2,202 | National Metrology System Development Project (II) |
| 2001 | 4,079 | Second Mekong International Bridge Construction Project |
| 2001 | 2,326 | Transmission System and Substation Development Project (Seventh Stage Phase II) |
| 2002 | 34,784 | Second Bangkok international airport |
| 2002 | 10,386 | Construction of 230kv underground transmission line between Bangkapi and Chidlom substation project |
| 2004 | 44,852 | Second Bangkok international airport development project (vi) |
| 2005 | 35,453 | Second Bangkok international airport development project (vii) |
| 2007 | 62,442 | Mass transit system project in Bangkok (purple line) (i) |

Data Source: compiled from Yearly Japan Bank for International Co-operation (JBIC) Annual Reports

Table 6.8 Thailand Borrowing by Lender, 2007-2013

| <i>mill. US\$</i> | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| 1. Multilateral Organization | 2,512 | 1,863 | 1,720 | 1,575 | 1,602 | 3,675 | 12,603 |
| % of total | 6% | 7% | 8% | 8% | 9% | 20% | 54% |
| 1.1 World Bank (IBRD) | 2,084 | 1,541 | 1,522 | 1,575 | 1,202 | 1,160 | 8,875 |
| 1.2 Asian Development Bank (ADB) | 428 | 322 | 198 | 0 | 400 | 2,515 | 3,730 |
| 2. Foreign Government | 17,742 | 12,665 | 11,151 | 11,067 | 10,810 | 9,368 | 8,294 |
| % of total | 43% | 45% | 50% | 53% | 58% | 52% | 36% |
| 2.1 Agency For International Development (AID) | 637 | 595 | 557 | 519 | 285 | 0 | 0 |
| 2.2 Japan International Cooperation Agency (JICA) | 16,053 | 11,066 | 9,736 | 9,828 | 10,103 | 9,191 | 8,163 |
| 2.2.1 (JICA) % of Foreign Governments | 90% | 87% | 87% | 89% | 93% | 98% | 98% |
| 2.2.2 (JICA) % of Total | 39% | 40% | 44% | 47% | 54% | 51% | 35% |
| 2.3 Kreditanstalt for Wiederaufbau (KfW) | 626 | 616 | 509 | 442 | 203 | 10 | 0 |
| 2.4 Other Governments | 427 | 587 | 313 | 279 | 219 | 167 | 131 |
| 3. International Capital Market | 20,255 | 13,020 | 9,200 | 8,046 | 6,229 | 4,990 | 2,411 |
| % of total | 49% | 47% | 41% | 39% | 33% | 28% | 10% |
| 3.1 Syndication (Including swap agreement) | 6,708 | 2,307 | 0 | 0 | 0 | 0 | 0 |
| 3.2 Bonds, Notes, MTN, FRN | 9,610 | 9,785 | 7,743 | 7,330 | 6,229 | 4,566 | 2,313 |
| 3.3 Finance Lease | 0 | 0 | 0 | 4 | 0 | 0 | 0 |
| 3.4 European Commercial Paper | 3,939 | 928 | 1,458 | 0 | 0 | 0 | 0 |
| 4. Export Financing | 457 | 308 | 185 | 95 | 16 | 0 | 0 |
| % of total | 1% | 1% | 1% | 0% | 0% | 0% | 0% |
| 4.1 Supplier Credit | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4.2 Buyer Credit | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4.3 Bank Credit | 3,543 | 308 | 185 | 95 | 16 | 0 | 0 |
| 5. Other Sources | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 40,967 | 27,855 | 22,256 | 20,784 | 18,657 | 18,033 | 23,308 |

Data Source: Thailand Public Debt Management Office

Table 6.9 Thailand's State Enterprise (Financial) Debt, 2005-2013, Public Company and Public Limited Company

| <i>mill. baht</i> | Guaranteed Debt | | Non-Guaranteed Debt |
|---|------------------------|---|----------------------------|
| BAAC Bank of Agriculture and Agricultural Co-operatives | 11,192,889 | SAM Sukhumvit Asset Management Co.,Ltd. | 41,621,985 |
| GHB The Government Housing Bank | 9,229,373 | RAM Radanasin Asset Management Co.,Ltd. | 3,705,314 |
| IFCT The Industrial Financial Corporation of Thailand | 112,226 | EIBT Export-Import Bank of Thailand | 2,875,366 |
| GOSB Government Saving Bank | 84,900 | SIFC Small Industry Finance Corporation | 1,229,186 |
| EIBT Export-Import Bank of Thailand | 59,439 | IFCT The Industrial Financial Corporation of Thailand | 941,366 |
| SIFC Small Industry Finance Corporation | 54,303 | BAAC Bank of Agriculture and Agricultural Co-operatives | 569,424 |
| MLSW The Public Pawnshop Administration Office | 8,151 | SMC Secondary Mortgage Corporation | 274,541 |
| SAM Sukhumvit Asset Management Co.,Ltd. | 0 | MLSW The Public Pawnshop Administration Office | 243,391 |
| RAM Radanasin Asset Management Co.,Ltd. | 0 | GHB The Government Housing Bank | 181,500 |
| SMC Secondary Mortgage Corporation | 0 | AMC Asset Management Corporation | 106,745 |
| TOTAL | 20,741,281 | TOTAL | 51,748,818 |

Data Source: Public Debt Management Office (Thailand)

Table 6.10 Thailand's State Enterprise Debt (Non-Financial), 2005-2013, Government Organisation

| <i>mill. baht</i> | Guaranteed Debt | | Non-guaranteed Debt |
|--|------------------------|---|----------------------------|
| SRT The State Railway of Thailand | 12,483,347 | PEA Provincial Electricity Authority | 4,161,212 |
| BMTA The Bangkok Mass Transit Authority | 8,583,604 | EGAT The Electricity Generating Authority of Thailand | 3,374,000 |
| ETA Expressway and Rapid Transit Authority of Thailand | 5,138,980 | MEA The Metropolitan Electricity Authority | 1,652,648 |
| NHA National Housing Authority | 3,921,500 | MLSW The Public Pawnshop Administration Office | 228,536 |
| REO Rubber Estate Organization | 2,420,000 | NHA National Housing Authority | 125,952 |
| PWA The Provincial Waterworks Authority | 1,122,000 | FIO The Forest Industry Organization | 9,073 |
| EGAT The Electricity Generating Authority of Thailand | 880,000 | IEAT The Industrial Estate Authority of Thailand | 7,924 |
| MOFF The Marketing Organization for Farmers | 289,728 | REO Rubber Estate Organization | 329 |
| PWO Public Warehouse Organization | 69,916 | BMTA The Bangkok Mass Transit Authority | 0 |
| TOTAL | 35,489,172 | TOTAL | 26,805,916 |

Data Source: Public Debt Management Office (Thailand)

Table 6.11 Thailand's State Enterprise Debt, (Non-Financial), 2005-2013, Public Company and Public Limited Company

| <i>mill. baht</i> | Guaranteed Debt | | Non-guaranteed Debt |
|--|------------------------|---|----------------------------|
| PTT Public Company Limited | 660,000 | PTT Public Company Limited | 10,822,235 |
| AERO Aeronautical Radio of Thailand Ltd. | 0 | THAI Thai Airway International Public Co., Ltd. | 4,496,255 |
| BPC The Bangchak Petroleum Public Co.,Ltd. | 0 | TOT Public Company Limited | 714,332 |
| CAT Telecom Public Company Limited | 0 | AERO Aeronautical Radio of Thailand Ltd. | 246,583 |
| KCS Krungthai Computer Service Co.,Ltd. | 0 | KCS Krungthai Computer Service Co.,Ltd. | 229,014 |
| KGS Krung Thai Business Service Co.,Ltd. | 0 | DAD Dhanarak Asset Development Co.,LTD. | 36,994 |
| AOT Airports of Thailand Public Co.,Ltd. | 0 | TTPC The Thai Plywood Company Limited | 6,038 |
| TOTAL | 3,184,130 | TOTAL | 15,243,788 |

Data Source: Public Debt Management Office (Thailand)

Table 6.12 Japan Bank for International Cooperation Loans, accumulated up to 2012

| <i>bill. yen</i> | No. | Value |
|-------------------|------------|--------------|
| Thailand | 2,448 | 2,691 |
| Indonesia | 1,469 | 5,452 |
| The Philippines | 812 | 1,747 |
| Malaysia | 591 | 1,315 |
| Singapore | 460 | 762 |
| Viet Nam | 121 | 215 |
| Myanmar | 56 | 145 |
| Others | 36 | 214 |
| Brunei Darussalam | 4 | 45 |

Data Source: compiled from various JBIC annual reports

Note: These are International Finance Operation loans and ODA loans

Table 6.13 Top Ten Commodities Traded between Japan and Thailand, 1988-2013

| Commodity | TOTAL (US, \$) |
|---|-----------------------|
| 84: Nuclear reactors, boilers, machinery, etc | 171,868,644,221 |
| 85: Electrical, electronic equipment | 156,099,090,838 |
| 87: Vehicles other than railway, tramway | 73,189,548,068 |
| 72: Iron and steel | 55,955,870,711 |
| 40: Rubber and articles thereof | 29,183,244,941 |
| 90: Optical, photo, technical, medical, etc apparatus | 28,356,469,544 |
| 39: Plastics and articles thereof | 27,443,170,359 |
| 03: Fish, crustaceans, molluscs, aquatic invertebrates ne | 20,785,108,679 |
| 16: Meat, fish and seafood food preparations nes | 20,279,598,534 |
| 73: Articles of iron or steel | 16,566,879,504 |

Data Source: OECD International Trade by Commodity Statistics (ITCS) (Harmonised System 1988)

Table 6.14 Top Ten Volume of Imports and Exports between Japan and Thailand by Commodity

| Japanese Imports from Thailand | | Japanese Exports to Thailand | |
|---|--------------------------|---|--------------------------|
| Commodity | TOTAL (1988-2013), US \$ | Commodity | TOTAL (1988-2013), US \$ |
| 01. Electrical, electronic equipment | 55,940,441,373 | 01. Nuclear reactors, boilers, machinery, etc | 122,547,282,679 |
| 02. Nuclear reactors, boilers, machinery, etc | 49,321,361,543 | 02. Electrical, electronic equipment | 100,158,649,465 |
| 03. Rubber and articles thereof | 22,253,203,012 | 03. Vehicles other than railway, tramway | 63,377,404,824 |
| 04. Meat, fish and seafood food preparations | 20,204,851,959 | 04. Iron and steel | 55,045,899,910 |
| 05. Fish, crustaceans, molluscs, aquatic invertebrates | 18,585,980,304 | 05. Optical, photo, technical, medical, etc apparatus | 18,859,779,034 |
| 06. Plastics and articles thereof | 10,132,687,631 | 06. Plastics and articles thereof | 17,310,482,728 |
| 07. Vehicles other than railway, tramway | 9,812,143,244 | 07. Articles of iron or steel | 12,092,773,905 |
| 08. Optical, photo, technical, medical, etc apparatus | 9,496,690,510 | 08. Organic chemicals | 11,947,481,467 |
| 09. Furniture, lighting, signs, prefabricated buildings | 7,916,230,516 | 09. Commodities not specified according to kind | 8,281,552,842 |
| 10. Pearls, precious stones, metals, coins, etc | 7,420,859,987 | 10. Rubber and articles thereof | 6,930,041,929 |

Data Source: OECD International Trade by Commodity Statistics (ITCS) (Harmonised System 1988)

Table 7.1 Expenditure of the Vietnamese State

| <i>% of total</i> | 2005 | 2007 | 2008 | 2009 | 2010 | 2011 | Prel. 2012 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-----------------------|
| Expenditure on development investment | 30.2 | 28.1 | 26.4 | 32.3 | 28.2 | 26.5 | 21.5 |
| Expenditure on social and economic services | 50.4 | 53.1 | 55.7 | 54.1 | 58.1 | 59.3 | 67.4 |
| <i>Of which:</i> | | | | | | | |
| <i>Expenditure on education and training</i> | 10.9 | 13.5 | 11.8 | 12.4 | 12.1 | 12.6 | 16.9 |
| <i>Pension and social relief</i> | 6.8 | 9.2 | 8.2 | 9.0 | 9.9 | 9.9 | 10.7 |
| <i>Expenditure on general public administration</i> | 7.1 | 7.3 | 8.4 | 7.2 | 8.7 | 9.2 | 9.6 |
| <i>Expenditure on economic services</i> | 4.5 | 4.0 | 4.7 | 4.9 | 5.8 | 5.8 | 6.8 |
| <i>Expenditure on health care</i> | 2.9 | 4.1 | 3.2 | 3.5 | 3.9 | 3.9 | 6.0 |
| <i>Expenditure on broadcasting and television</i> | 0.8 | 0.4 | 0.6 | 1.1 | 1.4 | 1.1 | 1.2 |
| <i>Exp. on science, technology and environment</i> | 1.0 | 1.9 | 0.7 | 0.7 | 0.6 | 0.7 | 0.8 |

Data Source: Compiled from various Vietnam General Statistics Office Statistical Yearbooks

Table 7.2 Revenue of the Vietnamese State (% of total)

| % of total | 2000 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | Prel. 2012 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|---------------|
| Domestic revenue (Exc. oil revenue) | 51.0 | 51.3 | 51.7 | 54.8 | 52.5 | 52.0 | 55.2 | 55.8 | 61.6 | 64.1 | 61.5 | 62.9 |
| Revenue from state owned enterprises | 21.7 | 20.2 | 18.9 | 16.9 | 17.1 | 16.6 | 15.9 | 16.7 | 18.5 | 19.1 | 17.5 | 19.3 |
| Revenue from non state sector | 6.4 | 6.3 | 6.8 | 7.0 | 7.4 | 7.9 | 9.9 | 10.1 | 10.5 | 11.9 | 11.7 | 12.6 |
| Revenue from foreign invested enterprises | 5.2 | 5.9 | 6.5 | 7.9 | 8.4 | 9.3 | 9.9 | 10.2 | 11.2 | 11.0 | 10.7 | 11.2 |
| Revenue from land and houses | 3.1 | 4.4 | 6.9 | 9.2 | 7.8 | 7.4 | 10.7 | 9.1 | 9.6 | 9.5 | 8.4 | 7.3 |
| Tax on high income earners | 2.0 | 1.9 | 1.9 | 1.8 | 1.9 | 1.9 | 2.4 | 3.0 | 3.2 | 4.5 | 5.3 | 6.1 |
| Other revenue | 2.0 | 3.6 | 2.7 | 4.2 | 5.1 | 2.5 | 1.8 | 2.1 | 2.5 | 2.5 | 2.7 | 2.1 |
| Environmental protection tax | | | | | | | | | | | 1.6 | 1.7 |
| License tax | 1.0 | 1.1 | 1.2 | 1.4 | 1.2 | 1.2 | 1.8 | 1.7 | 2.1 | 2.1 | 2.2 | 1.6 |
| Fees | 3.0 | 2.4 | 2.2 | 2.2 | 1.8 | 1.8 | 1.3 | 1.8 | 2.1 | 1.7 | 1.4 | 1.1 |
| Agricultural land use tax | 2.0 | 0.6 | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Revenue from lottery | 2.2 | 2.5 | 2.4 | 2.4 | NA | 2.2 | NA | NA | NA | NA | NA | NA |
| Gasoline fee | 2.4 | 2.4 | 2.1 | 1.9 | 1.7 | 1.4 | 1.4 | 1.1 | 2.0 | 1.8 | NA | NA |
| Oil revenue | 25.9 | 21.4 | 24.2 | 25.4 | 29.2 | 29.8 | 24.4 | 20.8 | 13.4 | 11.8 | 15.3 | 18.9 |
| Custom duty revenue | 20.9 | 25.5 | 22.2 | 18.3 | 16.7 | 15.3 | 19.1 | 21.2 | 23.2 | 22.2 | 21.6 | 17.2 |
| Export and import duties, special consumption tax; Surtax on import | 15.0 | 17.8 | 14.1 | 11.3 | 10.4 | 9.4 | 12.2 | 14.0 | 16.9 | 12.6 | 11.3 | 9.7 |
| VAT on imports | 5.9 | 7.7 | 8.1 | 6.9 | 6.3 | 5.9 | 7.0 | 7.2 | 6.3 | 9.6 | 10.3 | 7.5 |
| Grants | 2.2 | 1.8 | 2.0 | 1.5 | 1.7 | 2.8 | 1.4 | 2.2 | 1.7 | 2.0 | 1.7 | 1.1 |

Data Source: Compiled from various Vietnam General Statistics Office Statistical Yearbooks

Table 7.3 How favorably Asians regard China, India, Pakistan, Japan and the US

| % | China | India | Pakistan | Japan | US |
|----------------|-----------|-----------|-----------|-----------|----|
| Bangladesh | 77 | 70 | 50 | 71 | 76 |
| China | - | 30 | 30 | 8 | 60 |
| India | 31 | - | 15 | 43 | 55 |
| Indonesia | 66 | 62 | 52 | 77 | 59 |
| Japan | 7 | 63 | 19 | - | 66 |
| Malaysia | 74 | 46 | 53 | 75 | 51 |
| Pakistan | 78 | 13 | - | 51 | 14 |
| Philippines | 78 | 13 | - | 51 | 14 |
| South Korea | 56 | 59 | 30 | 22 | 82 |
| Thailand | 72 | 45 | 27 | 81 | 73 |
| Vietnam | 16 | 67 | 36 | 77 | 76 |
| US | 35 | 55 | 18 | 70 | - |

Data Source: Pew Research Center (2014)⁷⁷⁰

⁷⁷⁰ Pew Research: Global Attitudes Survey [Online] *Chapter 4: How Asians View Each Other*, July 14th 2014. Available at <http://www.pewglobal.org/2014/07/14/chapter-4-how-asians-view-each-other/> (accessed 02.12.2014)

Table 7.4 Japanese ODA Loan Disbursements to Vietnam by Sector and Sub-sector (no. of loans and total yen value of sectorial loans), 1972-2014

| | No. of loans (%) | Amount of approval (millions, jpy) (%) |
|---|---------------------|--|
| Agriculture, Forestry And Fisheries | 1 (0.5%) | 7,703 (0.3%) |
| Commodity Loans | 19 (10.4%) | 238,450 (10.8%) |
| Electric Power And Gas | 39 (21.4%) | 512,353 (23.3%) |
| <i>Other Electric Power And Gas</i> | 2 (5.1%) | 7,872 (1.5%) |
| <i>Power Plants</i> | 34 (87.2%) | 479,378 (93.6%) |
| <i>Transmission Lines And Distribution Systems</i> | 3 (7.7%) | 25,103 (4.9%) |
| Irrigation And Flood Control | 3 (1.6%) | 24,433 (1.1%) |
| Mining And Manufacturing | 5 (2.7%) | 38,087 (1.7%) |
| Others - Environmental Conservation In Multisector | 1 (0.5%) | 7,227 (0.3%) |
| Social Services | 28 (15.4%) | 313,918 (14.2%) |
| <i>Education</i> | 1 (3.6%) | 5,422 (1.7%) |
| <i>Other Services</i> | 2 (7.1%) | 35,331 (11.3%) |
| <i>Public Health And Medicine</i> | 2 (7.1%) | 10,498 (3.3%) |
| <i>Urban/Rural Community Infrastructure</i> | 6 (21.4%) | 59,783 (19.0%) |
| <i>Water Supply, Sewerage And Sanitation</i> | 17 (60.7%) | 202,884 (64.6%) |
| Telecommunications | 8 (4.4%) | 60,470 (2.7%) |
| <i>Broadcasting</i> | 2 (25.0%) | 20,146 (33.3%) |
| <i>Other Telecommunications</i> | 1 (12.5%) | 1,866 (3.1%) |
| <i>Telecommunications</i> | 5 (62.5%) | 38,458 (63.6%) |
| Transportation | 78 (42.9%) | 1,000,681 (45.4%) |
| <i>Airports</i> | 4 (5.1%) | 82,021 (8.2%) |
| <i>Bridges</i> | 23 (29.5%) | 244,691 (24.5%) |
| <i>Ports</i> | 8 (10.3%) | 116,506 (11.6%) |
| <i>Railways</i> | 11 (14.1%) | 146,334 (14.6%) |
| <i>Roads</i> | 32 (41.0%) | 411,129 (41.1%) |
| TOTAL (1972-2014, hiatus 1978-1992) | 182 | 2,203,322 |

Data Source: JICA ODA Loan Project Data

Note: Sub sector proportions are calculated to sector totals and not the overall total

Table 7.5 Top Ten FDI Investors, accumulation of projects (1988-2013)

| | | Number of projects | Total registered capital (Mill. USD) |
|-----------|------------------------|--------------------|--------------------------------------|
| 1 | Japan | 2,186 | 35,180 |
| 2 | Singapore | 1,243 | 29,942 |
| 3 | Korea Rep. of | 3,611 | 29,653 |
| 4 | Taiwan | 2,290 | 28,020 |
| 5 | British Virgin Islands | 523 | 17,152 |
| 6 | Hong Kong SAR (China) | 772 | 12,524 |
| 7 | United States | 682 | 10,696 |
| 8 | Malaysia | 453 | 10,376 |
| 9 | China, PR | 992 | 7,551 |
| 10 | Thailand | 339 | 6,401 |

Data Source: Vietnam General Statistics Office (GSO)

Table 7.6 Japanese Companies in Vietnam (2014)

| | TOTAL (1) | Ho Chi Minh City | Hanoi | Both |
|--|--------------|---------------------|----------------------|----------------------|
| Manufacturing (3) | 982 | 216 (22%) | 200 (20%) | 59 (6%) |
| Services | 306 | 260 (85%) | 80 (26%) | 43 (14%) |
| IT and Software | 176 | 70 (40%) | 48 (27%) | 11 (6%) |
| Construction and Property Development | 159 | 57 (36%) | 47 (30%) | 34 (21%) |
| Trading | 150 | 74 (49%) | 29 (19%) | 40 (27%) |
| Transport and Travel | 100 | 36 (36%) | 23 (23%) | 30 (30%) |
| Clothing and Accessories (2) | 74 | 34 (46%) | 2 (3%) | 3 (4%) |
| TOTAL | 1947 | 747 (38%) | 429 (22%) | 220 (11%) |

Data Source: Adapted from Kataoka, T. (2014) *Betonamu nikkei kigyō risuto* [Japanese Companies: Vietnam]. Japan-Vietnam Trade Association

Note (1) City totals do not sum to final company totals as the central region was excluded

Note (2) A number of companies located are also in the Danang, Bing Duong, and Dong Nai regions outside of the two main cities

Note (3) A large number of companies are also located in the Dong Nai, Bing Duong, Hai Phong and Danang regions outside of the two main cities

Table 7.7 Top Ten Foreign Investors in Vietnam (2005-2013), by number of projects

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | TOTAL (2005-2013) |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------------|
| 1 Korea Rep. of | 234 24.1% | 253 25.6% | 423 27.4% | 292 25.2% | 315 26.1% | 313 25.3% | 288 24.3% | 277 21.5% | 427 27.9% | 2,822 33.3% |
| 2 Japan | 114 11.8% | 154 15.6% | 159 10.3% | 105 9.0% | 102 8.4% | 144 11.6% | 227 19.1% | 317 24.6% | 352 23.0% | 1,674 19.7% |
| 3 Taiwan | 182 18.8% | 128 13.0% | 230 14.9% | 132 11.4% | 95 7.9% | 126 10.2% | 69 5.8% | 59 4.6% | 75 4.9% | 1,096 12.9% |
| 4 Singapore | 65 6.7% | 59 6.0% | 89 5.8% | 101 8.7% | 115 9.5% | 111 9.0% | 113 9.5% | 116 9.0% | 130 8.5% | 899 10.6% |
| 5 United States | 59 6.1% | 55 5.6% | 66 4.3% | 53 4.6% | 70 5.8% | 64 5.2% | 48 4.0% | 45 3.5% | 44 2.9% | 504 5.9% |
| 6 Hong Kong | 44 4.5% | 28 2.8% | 73 4.7% | 50 4.3% | 50 4.1% | 59 4.8% | 53 4.5% | 51 4.0% | 72 4.7% | 480 5.7% |
| 7 Malaysia | 21 2.2% | 25 2.5% | 46 3.0% | 55 4.7% | 42 3.5% | 31 2.5% | 23 1.9% | 45 3.5% | 23 1.5% | 311 3.7% |
| 8 British Virgin Islands | 43 4.4% | 24 2.4% | 60 3.9% | 49 4.2% | 38 3.1% | 28 2.3% | 21 1.8% | 22 1.7% | 17 1.1% | 302 3.6% |
| 9 Thailand | 16 1.6% | 17 1.7% | 25 1.6% | 32 2.8% | 27 2.2% | 20 1.6% | 36 3.0% | 25 1.9% | 44 2.9% | 242 2.9% |
| 10 Brunei | 11 1.1% | 12 1.2% | 15 1.0% | 19 1.6% | 22 1.8% | 10 0.8% | 11 0.9% | 0 0.0% | 15 1.0% | 115 1.4% |

Data Source: Compiled from Vietnam General Statistics Office (GSO) Statistical Yearbooks

Note: Percentages are based on total foreign investors and not only the top ten presented here

Table 7.8 Top Ten Foreign Investors in Vietnam (2005-2013), by registered capital (million, US\$)

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | TOTAL (2005-2013) |
|--------------------------|----------------|------------------|------------------|-------------------|------------------|------------------|------------------|------------------|------------------|----------------------|
| 1 Japan | 945.3 13.8% | 1,490.4 12.4% | 1,385.9 6.5% | 7,578.7 11.9% | 715.0 3.1% | 2,399.0 12.1% | 2,622.0 16.8% | 5,593.1 34.2% | 5,875.5 26.3% | 28,604.9 17.1% |
| 2 Korea Rep. of | 929.4 13.6% | 3,106.5 25.9% | 5,395.4 25.3% | 2,019.0 3.2% | 1,911.5 8.3% | 2,545.2 12.8% | 1,540.2 9.9% | 1,285.2 7.9% | 4,466.0 20.0% | 23,198.4 13.9% |
| 3 Singapore | 247.0 3.6% | 675.3 5.6% | 2,572.3 12.0% | 4,495.8 7.0% | 922.5 4.0% | 4,585.6 23.1% | 2,306.4 14.8% | 1,938.0 11.9% | 4,769.0 21.3% | 22,511.9 13.5% |
| 4 Taiwan | 753.1 11.0% | 845.8 7.0% | 2,489.7 11.7% | 8,851.7 13.9% | 1,626.5 7.0% | 1,453.1 7.3% | 579.0 3.7% | 2,658.1 16.3% | 637.3 2.9% | 19,894.3 11.9% |
| 5 Malaysia | 258.4 3.8% | 91.6 0.8% | 1,172.6 5.5% | 14,969.2 23.4% | 223.6 1.0% | 491.3 2.5% | 458.3 2.9% | 238.4 1.5% | 147.8 0.7% | 18,051.2 10.8% |
| 6 United States | 333.4 4.9% | 816.5 6.8% | 388.3 1.8% | 1,519.4 2.4% | 9,945.1 43.0% | 1,936.0 9.7% | 299.9 1.9% | 160.4 1.0% | 130.4 0.6% | 15,529.4 9.3% |
| 7 British Virgin Islands | 375.6 5.5% | 623.2 5.2% | 4,410.5 20.7% | 4,052.6 6.3% | 1,101.4 4.8% | 823.1 4.1% | 496.8 3.2% | 822.1 5.0% | 309.3 1.4% | 13,014.6 7.8% |
| 8 Hong Kong | 561.7 8.2% | 1,693.0 14.1% | 607.4 2.8% | 409.0 0.6% | 774.9 3.4% | 248.7 1.3% | 3,460.7 22.2% | 729.1 4.5% | 729.9 3.3% | 9,214.4 5.5% |
| 9 Thailand | 107.0 1.6% | 150.2 1.3% | 291.7 1.4% | 4,046.2 6.3% | 102.8 0.4% | 166.2 0.8% | 212.4 1.4% | 199.4 1.2% | 204.7 0.9% | 5,480.6 3.3% |
| 10 Brunei | 23.1 0.3% | 53.2 0.4% | 70.9 0.3% | 4,417.8 6.9% | 34.7 0.2% | 32.7 0.2% | 79.5 0.5% | 0.0 0.0% | 82.7 0.4% | 4,794.6 2.9% |

Data Source: Compiled from Vietnam General Statistics Office (GSO) Statistical Yearbooks
 Note: Percentages are based on total foreign investors and not only the top ten presented here

Table 7.9 Vietnam's Energy Mix

| MTOE (million tonnes of oil equivalent) | 1990 | | 2007 | | 2025 | |
|---|-------------|-------------|-------------|-------------|--------------|--------------|
| | Demand | Supply | Demand | Supply | Demand | Supply |
| Commercial Energy | 5.4 | 5.8 | 31.0 | 49.4 | 135.4 | 88.7 |
| Coal | 2.2 | 2.6 | 9.9 | 24.3 | 64.2 | 45.0 |
| Oil | 2.7 | 2.7 | 13.0 | 16.5 | 43.7 | 19.9 |
| Gas | 0 | 0 | 5.5 | 5.9 | 16.3 | 16.2 |
| Hydro | 0.5 | 0.5 | 2.6 | 2.6 | 6.8 | 5.4 |
| Nuclear | 0 | 0 | 0 | 0 | 2 | 2 |
| Renewable | 0 | 0 | 0 | 0 | 1 | 0 |
| Electricity (import) | 0 | 0 | 0 | 0 | 2 | 0 |
| Non-commercial energy | 18.9 | 18.9 | 24.5 | 24.5 | 10.6 | 18.6 |
| Total | 24.3 | 24.7 | 55.6 | 73.6 | 146.0 | 107.3 |

Data source: Minh Do, Tien, & Sharma, Deepak. (2011) 'Vietnam's energy sector: A review of current energy policies and strategies'. *Energy Policy*, vol. 39, pp5570-5777 (p. 5771.)

Table 7.10 Vietnam's Trade, 2000-2012

| EXPORTS | HS code and category | IMPORTS | HS code and category |
|----------------|--|----------------|--|
| 1 | Electrical apparatus for line telephony or line telegraphy | 1 | Petroleum oils, other than crude |
| 2 | Petroleum oils and oils obtained from bituminous minerals, crude | 2 | Electronic integrated circuits |
| 3 | Rice | 3 | Electrical apparatus for line telephony or line telegraphy |
| 4 | Footwear with outer soles of rubber, plastics, leather | 4 | Flat-rolled products of iron or non-alloy steel |
| 5 | Coffee, whether or not roasted or decaffeinated | 5 | Medicaments |
| 6 | Natural rubber, balata, gutta-percha, guayule, chicle | 6 | Polymers of ethylene, in primary forms |
| 7 | Other furniture and parts thereof | 7 | Oil-cake and other solid residues |
| 8 | Fish fillets and other fish meat (whether or not minced) | 8 | Ferrous waste and scrap; remelting scrap ingots of iron or steel |
| 9 | Printing machinery used for printing by means of the printing type, blocks | 9 | Other knitted or crocheted fabrics |
| 10 | Articles of jewellery and parts thereof, of precious metal | 10 | Gold (including gold plated with platinum) |

Data Source: UNCONTRADE

Table 7.11 Total Japanese Exports to Vietnam by Commodity, 1956-1974

| | TOTAL (thousands, US\$) |
|--|--------------------------------|
| Machinery | 874,352 |
| Textiles | 464,195 |
| Metal goods | 116,535 |
| Other light industrial products | 110,149 |
| Chemical Goods | 100,279 |
| Non-metallic mineral products | 66,947 |
| Food stuffs | 57,556 |
| Fuel | 13,785 |

Data Source: Shiraishi, Masaya. (1990) Japanese Relations with Vietnam, 1951-1987. NY, Ithica: Cornell University Press, Southeast Asia Program, p26-27

Table 7.12 Vietnam's Top Ten Export and Import Partners, 1990-2013

| <i>EXPORTS (mill. US\$)</i> | 1990 | 2000 | 2010 | 2013 | TOTAL | <i>IMPORTS (mill. US\$)</i> | 1990 | 2000 | 2010 | 2013 | TOTAL |
|-----------------------------|--------------|----------------|-----------------|-----------------|------------------|-----------------------------|-------------|----------------|-----------------|-----------------|------------------|
| United States | 0 0.0% | 733 5.1% | 14,238 20.2% | 23,841 18.7% | 136,810 17.9% | China | 5 0.1% | 1,401 7.7% | 20,204 23.4% | 36,938 28.1% | 183,864 20.4% |
| Japan | 340 15.7% | 2,575 18.0% | 7,728 10.9% | 13,631 10.7% | 101,954 13.4% | Korea, Rep. | 53 1.0% | 1,754 9.6% | 9,758 11.3% | 20,705 15.7% | 107,009 11.9% |
| China | 8 0.4% | 1,536 10.7% | 7,743 11.0% | 13,233 10.4% | 77,967 10.2% | Japan | 169 3.3% | 2,301 12.6% | 9,016 10.4% | 11,615 8.8% | 94,588 10.5% |
| Australia | 8 0.4% | 1,273 8.9% | 2,704 3.8% | 3,509 2.7% | 37,751 5.0% | Singapore | 497 9.6% | 2,694 14.8% | 4,101 4.7% | 5,689 4.3% | 85,509 9.5% |
| Singapore | 195 9.0% | 886 6.2% | 2,121 3.0% | 2,656 2.1% | 31,662 4.2% | Taiwan | 41 0.8% | 1,880 10.3% | 6,977 8.1% | 9,417 7.2% | 84,444 9.4% |
| Korea, Rep. | 27 1.2% | 353 2.5% | 3,092 4.4% | 6,618 5.2% | 31,224 4.1% | Thailand | 17 0.3% | 811 4.4% | 5,602 6.5% | 6,318 4.8% | 51,466 5.7% |
| Germany | 41 1.9% | 730 5.1% | 2,373 3.4% | 4,737 3.7% | 29,328 3.8% | United States | 1 0.0% | 363 2.0% | 3,767 4.4% | 5,233 4.0% | 32,100 3.6% |
| Malaysia | 5 0.2% | 414 2.9% | 2,093 3.0% | 4,922 3.9% | 25,016 3.3% | Malaysia | 1 0.0% | 389 2.1% | 3,413 4.0% | 4,100 3.1% | 30,013 3.3% |
| United Kingdom | 2 0.1% | 479 3.4% | 1,682 2.4% | 3,698 2.9% | 22,008 2.9% | Hong Kong | 197 3.8% | 598 3.3% | 860 1.0% | 1,050 0.8% | 21,110 2.3% |
| Taiwan | 29 1.3% | 757 5.3% | 1,443 2.0% | 2,216 1.7% | 20,832 2.7% | Germany | 21 0.4% | 295 1.6% | 1,742 2.0% | 2,965 2.3% | 19,385 2.2% |
| TOTAL | 2,161 | 14,299 | 70,612 | 127,617 | 762,633 | TOTAL | 5,160 | 18,236 | 86,413 | 131,564 | 901,531 |

Data Source: Compiled from Vietnam General Statistics Office (GSO) Statistical Yearbooks

Note 1: column totals are based on total bilateral only trade, with blocs removed, in addition to being the total for all countries and not only the ten listed here
 Note 2: row totals are for 1990-2013, and not only the years represented here

Table 8.1 Top Ten Investor Countries into Cambodia by Cumulative Total, 1994-2012

| | COUNTRIES | REGISTERED CAPITAL | FIXED ASSETS | (%) |
|----|------------------|---------------------------|---------------------|------------|
| | | (\$) | (\$) | |
| 1 | China | 791,999,678 | 9,175,600,483.04 | 21.09% |
| 2 | Korea | 273,671,000 | 4,323,823,040.20 | 9.94% |
| 3 | Malaysia | 1,606,522,473 | 2,614,491,754.90 | 6.01% |
| 4 | England | 9,992,700 | 2,266,222,306.60 | 5.21% |
| 5 | United States | 77,893,000 | 1,289,780,128.17 | 2.96% |
| 6 | Vietnam | 394,630,300 | 1,282,914,811.39 | 2.95% |
| 7 | Taiwan | 502,419,970 | 935,918,691.83 | 2.15% |
| 8 | Thailand | 227,495,350 | 867,028,094.14 | 1.99% |
| 9 | Hong Kong | 180,573,252 | 758,735,165.39 | 1.74% |
| 10 | Singapore | 221,117,100 | 731,972,607.98 | 1.68% |
| 12 | Japan | 69,589,200 | 366,564,099.11 | 0.84% |

Data Source: Cambodian Investment Board

Table 8.2 Japan's ODA to Cambodia by Sector

| | No. of Projects | US dollar |
|-------------------------------------|------------------------|---|
| | | (\$ = value at year of disbursement) |
| Transportation | 41 | 403,350,095 |
| Social Services | 69 | 359,747,385 |
| Others | 68 | 351,302,454 |
| Irrigation And Flood Control | 13 | 154,700,842 |
| Electric Power And Gas | 13 | 111,270,919 |
| Telecommunications | 6 | 43,243,738 |
| Agriculture, Forestry And Fisheries | 5 | 26,072,162 |

Data Source: JICA (various)

Note: This data has been calculated from raw lists of project data rather than summary statistics reported to the OECD. The dollar calculations are the result of the rate in the year of the project commitment. In addition, the categories used here are JICA labels that are usually used for classifying loans. The author has applied the same system to Japan's grant ODA.

Table 8.3 Top Five OECD DAC member ODA (total), ODA (loan) and ODA (grant) disbursements to Cambodia, 2002-2013

| <i>US \$, million (current prices)</i> | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | Total |
|--|------|-------|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|---------|
| TOTAL ODA | | | | | | | | | | | | | |
| Japan | 56.7 | 127.0 | 87.2 | 101.5 | 107.1 | 117.6 | 114.8 | 128.5 | 149.6 | 133.2 | 184.8 | 143.4 | 1,451.2 |
| % of DAC | 25% | 41% | 31% | 31% | 29% | 26% | 25% | 27% | 28% | 25% | 29% | 26% | 28% |
| United States | 46.7 | 53.1 | 49.8 | 72.0 | 59.5 | 88.9 | 71.5 | 68.7 | 86.4 | 75.5 | 88.4 | 77.3 | 837.7 |
| % of DAC | 20% | 17% | 18% | 22% | 16% | 20% | 16% | 15% | 16% | 14% | 14% | 14% | 16% |
| Australia | 21.6 | 19.9 | 23.4 | 28.4 | 33.1 | 27.7 | 39.0 | 48.5 | 53.9 | 71.0 | 100.9 | 72.0 | 539.5 |
| % of DAC | 9% | 6% | 8% | 9% | 9% | 6% | 9% | 10% | 10% | 13% | 16% | 13% | 10% |
| Germany | 13.9 | 20.9 | 22.6 | 24.8 | 27.6 | 37.6 | 33.8 | 37.9 | 41.3 | 49.2 | 46.4 | 40.9 | 397.0 |
| % of DAC | 6% | 7% | 8% | 7% | 7% | 8% | 7% | 8% | 8% | 9% | 7% | 7% | 8% |
| Korea | 20.7 | NA | NA | NA | 13.8 | 35.3 | 34.7 | 17.0 | 37.3 | 62.2 | 58.1 | 63.8 | 343.0 |
| % of DAC | 9% | NA | NA | NA | 4% | 8% | 8% | 4% | 7% | 12% | 9% | 12% | 7% |
| GRANT ODA | | | | | | | | | | | | | |
| Japan | 48.4 | 118.6 | 79.0 | 96.6 | 96.7 | 102.2 | 109.9 | 107.5 | 133.9 | 112.4 | 139.1 | 120.5 | 1,264.9 |
| % of DAC | 24% | 39% | 29% | 29% | 27% | 25% | 26% | 25% | 28% | 25% | 26% | 26% | 27% |
| United States | 46.7 | 53.1 | 49.8 | 72.0 | 59.5 | 88.9 | 71.5 | 68.7 | 86.4 | 75.5 | 88.4 | 77.3 | 837.7 |
| % of DAC | 23% | 18% | 18% | 22% | 17% | 22% | 17% | 16% | 18% | 17% | 16% | 17% | 18% |
| Australia | 21.6 | 19.9 | 23.4 | 28.4 | 33.1 | 27.7 | 39.0 | 48.5 | 53.9 | 71.0 | 100.9 | 72.0 | 539.5 |
| % of DAC | 11% | 7% | 9% | 9% | 9% | 7% | 9% | 11% | 11% | 16% | 19% | 15% | 12% |
| Germany | 13.9 | 20.9 | 22.6 | 24.8 | 27.6 | 37.6 | 33.8 | 37.9 | 41.3 | 49.2 | 46.4 | 40.9 | 397.0 |
| % of DAC | 7% | 7% | 8% | 8% | 8% | 9% | 8% | 9% | 9% | 11% | 9% | 9% | 9% |
| France | 20.2 | 18.8 | 18.2 | 24.3 | 28.0 | 31.1 | 29.0 | 26.2 | 23.7 | 23.1 | 19.8 | 20.7 | 283.2 |
| % of DAC | 10% | 6% | 7% | 7% | 8% | 8% | 7% | 6% | 5% | 5% | 4% | 4% | 6% |
| Korea | 20.7 | NA | NA | NA | 6.5 | 24.6 | 21.3 | 9.1 | 18.2 | 39.1 | 22.6 | 31.2 | 193.3 |
| % of DAC | 71% | NA | NA | NA | 37% | 56% | 67% | 19% | 34% | 50% | 23% | 50% | 40% |
| LOAN ODA | | | | | | | | | | | | | |
| Japan | 8.3 | 8.4 | 8.2 | 4.9 | 10.3 | 15.4 | 4.8 | 20.9 | 15.6 | 20.9 | 45.7 | 22.9 | 186.3 |
| % of DAC | 29% | 100% | 100% | 100% | 60% | 35% | 15% | 44% | 30% | 27% | 47% | 37% | 39% |
| Spain | NA | NA | NA | NA | NA | NA | NA | 13.4 | 15.4 | 14.6 | 16.7 | 3.3 | 63.4 |
| % of DAC | NA | NA | NA | NA | NA | NA | NA | 29% | 29% | 19% | 17% | 5% | 13% |
| France | NA | NA | NA | NA | 0.5 | 3.8 | 5.6 | 3.6 | 3.7 | 3.5 | 11.5 | 4.5 | 36.9 |
| % of DAC | NA | NA | NA | NA | 3% | 9% | 18% | 8% | 7% | 5% | 12% | 7% | 8% |
| Australia | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | 0.0 |
| % of DAC | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | 0% |

Data Source: OECD Creditor Reporting System

Table 8.4 Cambodia's Top 10 Export and Import Products with Japan (2001-2013)

| <i>million, US\$</i> | IMPORTS FROM JAPAN | | EXPORTS TO JAPAN | |
|--------------------------|---|-----|---|-----|
| 1 | Vehicles other than railway, tramway | 886 | Articles of apparel, accessories, knit or crochet | 518 |
| 2 | Machinery, nuclear reactors, boilers | 354 | Footwear, gaiters and the like, parts | 297 |
| 3 | Electrical, electronic equipment | 99 | Articles of apparel, accessories, not knit or crochet | 116 |
| 4 | Works of art, collectors pieces and antiques | 68 | Works of art, collectors pieces and antiques | 68 |
| 5 | Other made textile articles, sets, worn clothing | 39 | Electrical, electronic equipment | 46 |
| 6 | Iron and steel | 38 | Articles of leather, animal gut, harness, travel goods | 11 |
| 7 | Optical, photo, technical, medical, apparatus | 37 | Vehicles other than railway, tramway | 8 |
| 8 | Articles of iron or steel | 21 | Optical, photo, technical, medical, apparatus | 5 |
| 9 | Manmade staple fibres | 20 | Other made textile articles, sets, worn clothing | 4 |
| 10 | Zinc and articles thereof | 18 | Machinery, nuclear reactors, boilers | 4 |

Data Source: ITC Trade Map

Table 8.5 Top 10 Export and Import Partner Economies pre-Genocide (1948-1970) and post-Genocide (1980-2013)

| <i>million, US\$</i> | | EXPORTS | | IMPORTS | | |
|----------------------|--------------|----------------|-----------------|----------------|-----------|---------------|
| | PRE GENOCIDE | POST GENOCIDE | PRE GENOCIDE | POST GENOCIDE | | |
| 1 | EU | 290 US | 21,636 EU | 21 | China | 12,890 |
| 2 | France | 206 EU | 12,715 Japan | 14 | Thailand | 9,102 |
| 3 | Hong Kong | 123 Hong Kong | 11,867 France | 12 | Hong Kong | 7,092 |
| 4 | US | 95 Singapore | 3,927 Singapore | 3 | Vietnam | 6,369 |
| 5 | Singapore | 75 UK | 3,448 US | 3 | Singapore | 5,360 |
| 6 | Vietnam | 47 Germany | 3,355 Hong Kong | 3 | Korea | 2,943 |
| 7 | China | 45 Canada | 2,596 UK | 2 | EU | 2,696 |
| 8 | Japan | 37 Vietnam | 1,633 China | 2 | Japan | 2,514 |
| 9 | UK | 30 Thailand | 1,562 Italy | 1 | US | 2,238 |
| 10 | Senegal | 26 Netherlands | 1,281 Brazil | 1 | Indonesia | 2,023 |
| | World | 926 | 62,604 | 52 | | 62,923 |

Data Source: IMF historic direction of trade and direction of trade statistics (two separate data sets)

Table 8.6 Cambodia's Total Energy Consumption and Production (1995-2012)

| <i>energy = kilotons of oil equivalent (ktoe)</i> | Consumption | Supply | Balance |
|---|--------------------|----------------|----------------|
| Renewables | 45,142 43% | 51,764 43% | 6,622 |
| Biofuels and waste | 45,142 43% | 51,684 43% | 6,542 |
| Oil products | 12,112 12% | 16,310 14% | 4,198 |
| Hydro | 0 0% | 77 0% | 77 |
| Coal and coal products | 0 0% | 35 0% | 35 |
| Electricity | 1,545 1% | 527 0% | -1,018 |
| Total | 103,941 | 120,397 | 16,456 |

Data Source: International Energy Agency.

Note: The categories of: crude, geothermal, heat production from non-specified combustible fuels, natural gas, nuclear, oil shale/oil sands, peat and solar have not been included because their production and consumption is zero in Cambodia.

Table 8.7 Financial Institutions in Cambodia (2013)

| | | |
|-----------------------------------|------------|-------------|
| Micro-finance institutions (MFIs) | 38 | 28% |
| - including deposit taking MFIs | 7 | 5% |
| Commercial banks | 35 | 26% |
| Rural Credit operators | 33 | 25% |
| Specialised banks | 9 | 7% |
| Representative offices | 6 | 4% |
| Third party processor | 3 | 2% |
| Financial leasing companies | 2 | 1% |
| Credit bureau | 1 | 1% |
| | 134 | 100% |

Data Source: National Bank of Cambodia: Annual Report (2013)

Table 9.1 Top 20 ODA Supported Sectors in Laos (2000-2012)

| Sectors | Amount | % | Projects |
|--|------------|--------|----------|
| Multisector | 36,518,137 | 14.33% | 117 |
| Government & Civil Society | 31,328,002 | 12.30% | 111 |
| Basic Health | 20,148,543 | 7.91% | 76 |
| Basic Education | 15,239,473 | 5.98% | 181 |
| Agriculture | 15,209,524 | 5.97% | 98 |
| Banking & Financial Services | 11,914,394 | 4.68% | 21 |
| Health, General | 11,654,249 | 4.57% | 59 |
| Conflict, Peace & Security | 11,337,684 | 4.45% | 22 |
| Water Supply & Sanitation | 10,939,606 | 4.29% | 44 |
| Education, Level Unspecified | 10,074,090 | 3.95% | 58 |
| Transport & Storage | 7,561,622 | 2.97% | 28 |
| Other Commodity Ass. | 7,517,516 | 2.95% | 1 |
| Trade Policies & Regulations | 6,897,361 | 2.71% | 30 |
| Post-Secondary Education | 6,847,675 | 2.69% | 59 |
| Population Pol./Progr. & Reproductive Health | 5,622,501 | 2.21% | 49 |
| General Environment Protection | 5,104,636 | 2.00% | 46 |
| Business & Other Services | 4,993,330 | 1.96% | 11 |
| Other Social Infrastructure & Services | 4,488,904 | 1.76% | 73 |
| Secondary Education | 4,271,238 | 1.68% | 58 |
| Energy | 4,210,514 | 1.65% | 18 |

Data Source: openaiddata.org (compiled by author)

Table 9.2 Bilateral and multilateral ODA to Laos, 1966-1995

| <i>mill,</i> <i>US\$</i> | US | Japan | France | UK | West Germany | Germany (unified) | Australia | Canada | Israel | Sweden | ADB | IDA (IBRD) | UNDP | IMF | EU | NGO |
|-----------------------------|------|-------|--------|------|-----------------|----------------------|-----------|--------|--------|--------|------|---------------|------|------|-----|------|
| 1966 | | | | | | | | | | | | 0.5 | 0.5 | | | |
| 1967 | | | | | | | | | | | | 0.5 | 0.5 | | | |
| 1968 | 63.7 | 3.1 | 7 | 4.9 | 2.2 | | 1.5 | 0.3 | 0.05 | | | | 0.5 | | | |
| 1969 | 52.8 | 3.9 | 7.4 | 2.87 | 1.6 | | 1.2 | 1.3 | 0.05 | | | | 0.5 | | | |
| 1970 | 52.5 | 5 | 7.7 | 2.18 | 2.4 | | 1.2 | 0.4 | 0.06 | | | | 0.5 | | | |
| 1971 | 51.2 | 4 | 7.2 | 1.95 | 2.2 | | 1.1 | 0.4 | 0.06 | | | | 0.7 | | | |
| 1972 | 50.3 | 3.7 | 6.8 | 2.29 | 0.9 | | 1.5 | | 0.07 | | | | 1 | | | |
| 1973 | 50.1 | 4.5 | 6 | 2.3 | 0.1 | | 1.4 | 0.2 | 0.07 | | | | 1 | | | |
| 1974 | 29.2 | | | | | | | | | | | | 1 | | | |
| 1975 | | | | | | | | | | | | | | | | |
| 1990 | 6.9 | 3.3 | | | | 3.8 | 5.2 | | | 10.7 | 43.9 | 31.2 | 12.3 | 0 | 2.4 | 2.9 |
| 1991 | 20.8 | 6.9 | | | | 13.3 | 6.4 | | | 14.9 | 59.1 | 14.1 | 9.6 | 11.3 | 2.4 | 4.5 |
| 1992 | 22.5 | 7.3 | | | | 3 | 10.5 | | | 22.2 | 16.1 | 38.2 | 11.8 | 8 | 0.8 | 5.8 |
| 1993 | 36.5 | 11.3 | | | | 14.3 | 12.8 | | | 17.1 | 39.1 | 38 | 9.2 | 14.1 | 2.6 | 5.9 |
| 1994 | 45 | 9.4 | | | | 11.8 | 11.9 | | | 13.4 | 28.5 | 26.8 | 7.4 | 7.4 | 4.5 | 9.2 |
| 1995 | 59.9 | 12.4 | | | | 24.5 | 14.3 | | | 13.1 | 64.3 | 27.1 | 8.2 | 17.7 | 8.6 | 11.6 |

Data source : compiled from Phraxayavong, William (2009) *History of Aid to Laos*. Mekong Press: Chiang Mai, Thailand (p. 67., p. 85., p. 110., p. 174.)
 Note: figures are rounded to one decimal place

Table 9.3 Top Five ODA providers to Laos PDR, 2000-2012, by sector (no. of projects and sum sectorial value)

| | (1) JAPAN | | (2) AUSTRALIA | | (3) GERMANY | | (4) FRANCE | | (5) SOUTH KOREA | |
|-----------|--------------------------------|-------------|-------------------------------|------------|----------------------------|------------|--|------------|--|------------|
| 1 | Transport & Storage | 31 | Other/ Multi-sector | 16 | Other/Multi i-sector | 23 | Agriculture | 26 | Water Supply & Sanitation | 9 |
| | | 196,625,541 | | 32,111,383 | | 49,872,959 | | 50,111,914 | | 35,847,695 |
| 2 | Energy | 28 | Education - Primary | 20 | Secondary Education | 33 | Water Supply & Sanitation | 13 | Education - Higher | 7 |
| | | 81,352,437 | | 30,356,809 | | 26,505,119 | | 16,659,643 | | 20,445,545 |
| 3 | Education - Higher | 43 | Education - Higher | 12 | Communications | 18 | Other/Multi-sector | 11 | Transport & Storage | 5 |
| | | 58,921,330 | | 18,241,556 | | 23,571,750 | | 13,856,027 | | 15,714,576 |
| 4 | Government & Civil Society | 18 | Transport & Storage | 5 | Transport & Storage | 13 | Education - Higher | 21 | Basic Health | 5 |
| | | 53,372,472 | | 16,435,794 | | 23,198,304 | | 13,325,896 | | 6,825,109 |
| 5 | Health, general | 20 | Business & Other Services | 20 | Business & Other Services | 42 | Energy | 8 | Other Social Infrastructure & Services | 5 |
| | | 43,373,048 | | 16,189,167 | | 21,836,535 | | 11,415,487 | | 6,521,194 |
| 6 | Water Supply & Sanitation | 19 | Government & Civil Society | 13 | Emergency Response | 17 | Other Social Infrastructure & Services | 18 | Secondary Education | 9 |
| | | 40,672,645 | | 16,012,127 | | 8,704,099 | | 11,213,446 | | 5,233,784 |
| 7 | Education - Level Unspecified | 27 | Education - Level Unspecified | 15 | Conflict, Peace & Security | 12 | General Environment Protection | 18 | Health, general | 4 |
| | | 40,043,027 | | 13,026,021 | | 8,368,491 | | 10,280,671 | | 4,988,464 |
| 8 | Other Commodity Assets | 3 | Energy | 4 | Forestry | 10 | Health, general | 8 | Agriculture | 4 |
| | | 31,760,117 | | 12,355,609 | | 6,540,290 | | 7,077,953 | | 4,850,029 |
| 9 | General Environment Protection | 8 | Water Supply & Sanitation | 13 | Banking/Financial Services | 11 | Unallocated / Unspecified | 18 | Communication | 30 |
| | | 30,784,497 | | 11,073,768 | | 5,744,707 | | 6,961,578 | | 4,243,860 |
| 10 | Basic Health | 17 | Unallocated / Unspecified | 20 | Agriculture | 4 | Basic Health | 5 | Other/Multi-sector | 3 |
| | | 23,286,221 | | 11,033,095 | | 5,003,499 | | 6,920,818 | | 3,876,506 |

Data Source: openaiddata.org (compiled by author)

Table 9.4 Foreign Aid to Laos by Ministry (2012)

| | No. of activities | Planned | Actual | (1) donor | (2) donor | (3) donor | (4) donor | (5) donor |
|---|-------------------|--------------------|--------------------|-----------------|-------------|------------|------------|-------------|
| Ministry of Public Transportation | 17 | 69,095,896 | 75,336,406 | Japan | ADB | World Bank | Germany | South Korea |
| Ministry of Health | 46 | 51,534,689 | 45,530,835 | The Global Fund | ADB | WHO | Luxembourg | World Bank |
| Ministry of Education & Sports | 25 | 48,294,290 | 44,653,116 | World Bank | ADB | Australia | Japan | Germany |
| Ministry of Agriculture & Forestry | 32 | 48,708,635 | 35,421,963 | IFAD | ADB | Germany | Japan | Finland |
| Ministry of Energy & Mines | 13 | 29,907,575 | 25,984,046 | Japan | World Bank | ADB | Australia | na. |
| Ministry of Planning & Investment | 25 | 15,238,196 | 14,635,561 | Germany | UNDP | Japan | IFAD | South Korea |
| Ministry of Finance | 4 | 5,494,946 | 8,653,689 | EU | World Bank | Japan | na. | na. |
| Ministry of Natural Resources & The Environment | 16 | 6,620,145 | 8,397,913 | Finland | World Bank | Germany | ADB | Japan |
| Ministry of Home Affairs | 7 | 5,927,165 | 6,159,777 | Finland | Switzerland | UNDP | UNCDF | UNICEF |
| Ministry of Information, Culture, & Tourism | 10 | 6,405,989 | 5,547,982 | ADB | New Zealand | Luxembourg | UNDP | UNICEF |
| Ministry of Labour and Social Welfare | 7 | 6,711,911 | 5,452,332 | UNDP | UNICEF | na. | na. | na. |
| Ministry of Justice | 5 | 1,543,970 | 1,204,579 | UNDP | UNODC | UNICEF | na. | na. |
| Ministry of Industry & Commerce | 2 | 853,137 | 717,884 | Germany | UNIDO | na. | na. | na. |
| Ministry of Public Security | 4 | 233,606 | 110,313 | UNODC | UNICEF | UNAIDS | na. | na. |
| Ministry of Foreign Affairs | 2 | 333,361 | 32,917 | UNDP | Thailand | na. | na. | na. |
| TOTAL | 215 | 296,903,511 | 277,839,313 | | | | | |

Data source: compiled from Foreign Aid Implementation Report (FAIR) 2011-12

Table 9.5 FDI into ASEAN countries, decade totals (1970-2012)

| US\$ (1000s) | 1970s | 1980s | 1990s | 2000s | 2010-2012 |
|-------------------|--------------|--------------|----------------|------------------|----------------|
| Singapore | 3,013,000 | 19,068,122 | 89,791,209 | 219,023,409 | 166,196,269 |
| Indonesia | 4,379,450 | 3,261,000 | 21,915,000 | 28,291,311 | 52,864,403 |
| Malaysia | 3,261,920 | 9,647,350 | 48,158,259 | 41,987,549 | 31,331,545 |
| Thailand | 798,233 | 5,152,946 | 31,839,385 | 65,155,980 | 25,532,909 |
| Viet Nam | 7,423 | 55,521 | 13,378,356 | 35,290,997 | 23,798,000 |
| Philippines | 800,190 | 3,178,000 | 11,938,000 | 16,354,000 | 5,911,000 |
| Myanmar | 4,750 | 55,340 | 3,600,800 | 4,189,799 | 5,727,580 |
| Cambodia | 1,620 | 1,000 | 1,243,582 | 3,744,375 | 3,241,432 |
| Brunei Darussalam | 38,160 | -12,040 | 3,292,109 | 7,300,366 | 2,683,967 |
| Lao PDR | 2,170 | 4,380 | 547,908 | 1,054,490 | 873,930 |

Data Source: UNCTAD

Table 9.6 SEZ's in Laos

| Name | Location: (District, Province) | Established Year | Land Tenure (Yrs.) | Investment (USD, mill) | Developer(s) |
|---|--------------------------------------|---------------------|--------------------------|---------------------------|-----------------------|
| Savan-Seno Special Economic Zone | Savannakhet | 2003 | 75 | 74 | GOL |
| Boten Beautiful Land Specific Economic Zone | Louangnamtha District | 2003 | 50 | 500 | Private (China) |
| Golden Triangle Special Economic Zone | Tonpheung District | 2007 | 99 | 86.6 | GOL + Private (China) |
| Long Thanh Vientiane Specific Economic Zone | Vientiane Capital | 2008 | 99 | 1,000 | Private (Vietnam) |
| Vientiane Industrial and Trade Area | Xaythany District, Vientiane | 2009 | 75 | 43 | GOL + |
| Saysetha Development Zone | Xaythany District, Vientiane | 2010 | 50 | 128 | GOL + |
| Phoukyo Specific Economic Zone | Thakhek District, Khammuane | 2011 | 99 | 100 | Private (Lao) |
| Thatluang Lake Specific Economic Zone | Xaysettha District, Vientiane | 2011 | 99 | 1,600 | Private |
| Dongphosy Specific Economic Zone | Hadxaifong District, Vientiane | 2012 | 50 | 50 | Private |
| Thakhek Specific Economic Zone | Thakhek District, | 2012 | 75 | 80 | GOL |

Data source: David Noonan (2015)⁷⁷¹

⁷⁷¹ Noonan, David (2015) 'Special & Specific Economic Zones In Lao PDR: Some Notes on Education and Training Implications.' *History of Education in Laos Working Paper Series, No. 15 (p. 4.)*

Table 9.7 Top Five Trading Partners of Laos, decade totals

| | 1970s | | 1980s | | 1990s | | 2000s | | 2000-2013 | |
|---------------------------------|-------|-----------|-------|-----------|-------|-----------|-------|----------|-----------|--|
| Thailand | 98 | Thailand | 320 | Thailand | 2,523 | Thailand | 9,603 | Thailand | 13,352 | |
| Japan | 39 | Japan | 124 | Vietnam | 419 | China | 1,582 | China | 3,964 | |
| US | 34 | Singapore | 46 | Japan | 335 | Vietnam | 1,016 | Vietnam | 1,487 | |
| France | 19 | France | 23 | China | 191 | Singapore | 356 | Korea | 681 | |
| Indonesia | 16 | Sweden | 13 | Singapore | 131 | Japan | 325 | Japan | 439 | |
| EXPORTS to... (mill, \$) | | | | | | | | | | |
| | 1970s | | 1980s | | 1990s | | 2000s | | 2000-2013 | |
| Thailand | 15 | China | 78 | Vietnam | 662 | Thailand | 2,529 | Thailand | 4,081 | |
| Malaysia | 7 | Thailand | 72 | Thailand | 567 | Vietnam | 1,249 | China | 2,881 | |
| Hong Kong | 1 | Turkey | 29 | France | 126 | China | 631 | Vietnam | 1,695 | |
| Canada | 1 | Japan | 25 | Germany | 118 | Germany | 320 | Japan | 333 | |
| Japan | 1 | Malaysia | 25 | Japan | 77 | UK | 318 | UK | 332 | |

Data source: IMF (Direction of Trade statistics)

Table 9.8 Top Five Imports and Exports of Laos by Product, total 2001-2013

| IMPORTS (mill, US\$) | Lao*World | | Lao*Japan | |
|---|-----------|---|-----------|--|
| | | | | |
| Mineral fuels, oils, distillation products | 5,935 | Vehicles other than railway, tramway | 357 | |
| Vehicles other than railway, tramway | 4,759 | Machinery, nuclear reactors, boilers | 128 | |
| Machinery, nuclear reactors, boilers | 4,017 | Electrical, electronic equipment | 60 | |
| Electrical, electronic equipment | 2,788 | Commodities not elsewhere specified | 24 | |
| Iron and steel | 1,301 | Meat and edible meat offal | 16 | |
| EXPORTS (mill, US\$) | | | | |
| <i>Lao*World</i> | | <i>Lao*Japan</i> | | |
| Copper and articles thereof | 4,342 | Wood and articles of wood, wood charcoal | 99 | |
| Wood and articles of wood, wood charcoal | 3,648 | Coffee, tea, mate and spices | 94 | |
| Mineral fuels, oils, distillation products | 2,433 | Articles of apparel, accessories, not knit or crocheted | 76 | |
| Ores, slag and ash | 2,265 | Footwear, gaiters and the like, parts thereof | 62 | |
| Articles of apparel, accessories, not knit or crocheted | 1,401 | Inorganic chemicals, precious metal compound, isotopes | 56 | |

Data source: ITC Trade Map