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Prime Minister Abe Shinzo: Transforming Postwar Japan?

The jury is still out whether a more confident and revitalised Japan led by Abe will lead to a more stable balance of power in East Asia amidst China’s rise.

LAM PENG ER

Unlike recent prime ministers who stayed in office for barely a year, Abe Shinzo is poised to stay in power for at least a few years after his decisive victories at the 2012 Lower House and 2013 Upper House Elections. Both Houses and the passing of bills are now dominated by Abe and his ruling Liberal Democratic Party (LDP). According to an August 2013 survey, the public approval rating for Abe’s Cabinet climbed to 57.7%, very high by Japanese standard.

Abe has a very ambitious political agenda. His immediate priority is to lift the Japanese economy from more than two decades of stagnation. Dubbed as Abenomics, the prime minister’s policy has three “arrows”—the doubling of Japan’s money supply in two years to end a stubborn deflation, Keynesian policies especially massive public works to stimulate the economy and “structural reforms” (such as liberalising the labour market) to transform the economy. Abe has also succeeded in changing market expectations and devaluing the yen quite considerably against the US dollar. Indeed, a cheaper yen has boosted the competitiveness of Japanese exports abroad. If Abenomics were to succeed, Abe Shinzo might well go down in history as one of the most able and successful prime ministers in postwar Japan.

However, Abe Shinzo has a bigger political agenda than Japanese economic recovery. Indeed, Japan’s role in the world as a significant power can only be underpinned and sustained by a strong economy. Arguably, Abe is the most rightwing prime minister in postwar Japan. His ideological dream is a “beautiful” Japan respected for its culture and tradition, playing a bolder role in international affairs not hamstrung by a pacifist constitution (imposed by US occupiers) and a “masochistic” view of history that Japan was bad and responsible for the Pacific War. In this regard, he wants Japan to stop feeling apologetic and diffident about its imperial past especially to China and Korea.

There are two sides to Abe. One is a pragmatic streak which he showed during his first term as prime minister (2006-2007). Abe made China his first foreign destination to break the impasse between Beijing and Tokyo caused by his predecessor Koizumi Junichiro who stubbornly insisted on annual Yasukuni Shrine visits (the symbol of Japanese imperialism to the Chinese and Koreans). Abe then adopted a policy of neither confirming nor denying Yasukuni Shrine visits to avoid infuriating Japan’s immediate neighbours. Thus far in his second term as prime minister, Abe has yet to visit the Yasukuni Shrine.

However, there is another side of Abe which clings on to rightwing beliefs that the pacifist constitution is undesirable and an affront to Japanese pride, that history textbooks should be revised to better reflect past national achievements and that the Japanese state was not responsible for the plight of the “comfort women” (euphemism for women procured as sex slaves for the Imperial army). In accordance to his credo that Japan should not supinely apologise for the war, Abe (unlike his immediate predecessors) did not express remorse for the devastation caused by the Imperial army in Asia at the ceremony to mark the end of the Pacific War in August 2013.

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Japan is Back!

At the Washington-based Center for Strategic and International Studies in February 2013, Japanese Prime Minister Abe Shinzo declared: "I am back and so is Japan". He pledged to end Japan's two-decade-long economic stagnation, strengthen US-Japan alliance and promote international law in East Asia bedeviled by territorial disputes.

As a consequence of Abe's solid victories at the November 2012 Lower House Election and the July 2013 Upper House Election, the political gridlock in Japan with competing political parties controlling different Houses has ended. Unlike his immediate predecessors, Abe is likely to remain as prime minister for at least a few years. In his first stint as prime minister, Abe lasted barely a year between 2006 and 2007. However, Abe in his second term as premier has succeeded in changing market expectations leading to the depreciation of the yen against the US dollar. This is indeed a boon to the international competitiveness of Japanese exports. The Nikkei stock index has also increased quite remarkably since Abe assumed office in 2012.

Abe has boldly released three "arrows" to revitalise the moribund Japanese economy: an unprecedented doubling of money supply in two years, Keynesian prime-pumping policies especially massive public work spending and structural reforms (including the deregulation of the labour market). It is conceivable that Japan, the third largest economy in the world, may enjoy modest growth for the next two to three years as a result of Abenomics. According to Abe, the 2020 Tokyo Olympics is the fourth arrow to stimulate the economy. To be sure, the forthcoming Tokyo Olympics would project Japanese "soft power" by showcasing its recovery from the triple disasters (earthquake, tsunami and nuclear meltdown in Fukushima) and "two lost decades" of economic stagnation.

It may be pertinent to ask: If Abe and Japan are back, what is the likely impact on Japan and East Asia? First,

Abe may succeed in restoring the perennial rule of the Liberal Democratic Party at the national level. Second, an economically revitalised Japan is likely to buy more goods and services from its East Asian neighbours, offer more generous foreign aid to developing countries and have more



Professor Zheng Yongnian
EAI Director

outbound tourists to the region. Third, Abe may be emboldened to promote his nationalistic cause of revising the pacifist constitution, transform the Self-Defence Force into a National Defence Military and propagate a revisionist history which glorifies Japan's past much to the chagrin of China and South Korea.

While Abe and Japan may be back, it remains to be seen whether the new prime minister has any practical policy to improve his country's relations with China and South Korea, and address the impasse of thorny territorial disputes. On the one hand, a China which enjoys a projected GDP growth of around seven per cent in 2013 coupled with a Japan in recovery should underpin East Asia as the most economic dynamic region in the world. On the other hand, a new template of "China rising and Japan recovering" may be a harbinger of greater geostrategic competition in East Asia with both countries having the wherewithal to strengthen their defence and foreign aid budgets. That Abe and Japan are back may paradoxically lead to greater economic vitality and geostrategic competition in East Asia. ■

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Can Abenomics be a “White Knight” to Japan’s Economic Woes?

Escapism is the driving force behind the high expectation of Abe’s prescription for Japan’s prolonged recession.

YOSHIHISA GODO

Shinzo Abe, the 96th Japanese Prime Minister and President of the Liberal Democratic Party (LDP), seems to have a relatively smooth term of office since his inauguration in December 2012. He now enjoys strong support from the majority of Japanese citizens for his economic policy, known as Abenomics. Various public opinion surveys conducted during the Upper House election campaign in July 2013 show that Japanese citizens have high hopes for Abenomics. For example, a public poll of *Kanagawa Shimbun* revealed that 61.8% of respondents supported the policy. In another public poll by *Sankei Shimbun*, 40% of respondents said that they would vote for candidates who support Abenomics, while 10% said they would vote for candidates who oppose it. Unsurprisingly, Abe’s LDP enjoyed a landslide victory in the Upper House election.

Will Abenomics reinvigorate Japan’s economy? Unfortunately, my answer is “quite unlikely”. I believe that Abenomics is a fantasy, a product of modern Japanese escapism. What is Abenomics? Abe has repeatedly reiterated that Abenomics consists of three platforms: monetary relaxation, fiscal stimulus and structural reforms for new economic growth. Monetary relaxation means printing more money and fiscal stimulus means increasing spending. These two steps are easy to accomplish. Structural reforms for new economic growth, however, are difficult as nobody knows exactly what type of reform is needed. During the Koizumi administration (2001-2006), for example, “deregulation” was a structural reform watchword, and, accordingly, Koizumi drastically deregulated many industries. As a result, few opportunities remain for Abe to revitalise the economy through deregulation.

In fact, Abe’s attitude towards his first and second platforms differs considerably from his approach towards his third. He took strong measures to implement monetary relaxation and fiscal stimulus, requesting that the Bank of Japan (BOJ) implement aggressive monetary relaxation policies soon after he took office. When Hiroaki Shirakawa, then governor of the BOJ, did not agree to Abe’s request, Abe suggested revising the BOJ law. This dauntless attitude towards the BOJ was covered favourably by the Japanese media. When Shirakawa stepped down a month before the end of his term, the BOJ took radical action to supply more base money under the leadership of the new governor, Abe’s supporter Haruhiko Kuroda.

Abe also launched a large number of public spending programmes, pumping 10 trillion yen into the supplementary

national budget for the 2012 Japanese fiscal year. He also promised to spend 200 trillion yen on a special public construction works programme over the next 10 years. These expenditures are largely financed by national bonds, which the BOJ promises to keep purchasing.

Abe repeatedly refers to his passion for structural reforms. In contrast to his first and second economic platforms, Abe has not provided a clear-cut outline for its implementation to drive economic growth. Thus, the third platform could be regarded as empty. Monetary relaxation will encourage companies and citizens to borrow more and fiscal expenditures will create temporary jobs, but their effects will not endure. In the long run, as is evident from the economic crises of Greece and Spain, many Japanese and foreign economists agree that excessive monetary relaxation combined with unchecked fiscal stimulus will dangerously accelerate the accumulation of national bonds and threaten the national economy.

Why then do most Japanese citizens favour Abenomics? There are two possible reasons. One is the timing of Abe’s inauguration, which happened just as Japan began to see significant performance improvements in several major industries, such as car manufacturing and thus the misconception of the effects of Abenomics. These improvements are attributable to the depreciation of the yen, which began in late 2012, and not, as is popularly believed, owing to Abenomics (and Abe’s easy money policy in particular) alone.

For example, the United States has become more cautious about its monetary relaxation measures, thus increasing the value of the US dollar in the international currency exchange market.

The other reason is the sense of escapism that has infiltrated modern Japanese society. Japanese citizens have become impatient with the prolonged recession following the burst of the economic bubble in the early 1990s. While Japan enjoyed unprecedented economic growth from the 1950s to the 1980s, the country is now overshadowed by neighbours such as China, whose economy is growing at an amazing speed. Frustrated with the current situation, many people view Abenomics as a possible “white knight” that can rescue them from their economic plight.

While the prime minister is good at appealing to the vanity of Japanese society, particularly through diplomacy and education policy, without substance, Abenomics is unlikely to take the Japanese economy out of a prolonged recession. ■

Yoshihisa Godo is Visiting Scholar at EAI.

Frustrated with the current situation, many Japanese view Abenomics as a possible “white knight” that can rescue them from their economic plight.

Japan in the US-led Trans-Pacific Partnership

Japan's participation in trade negotiations within the Trans-Pacific Partnership (TPP) signifies a milestone in America's Asia strategy. Japan itself will also benefit from the TPP to drive its structural reform.

CHIANG MIN-HUA

Japan's entrance to Trans-Pacific Partnership (TPP) signifies an important breakthrough in US-Asia relations. Washington's Asia pivot to strengthen its political and security alliance with the region would be incomplete if Japan is not in it. Economically, without Japan, the TPP would be a far more limited trade pact of largely small economies. Since Japan is a main technology provider in the supply chain network in Asia, the regional economic connection cannot function well without its participation. Given Japan's more mature economy, it would be more inclined to emphasise on securing copyright and patent protection which the United States has much difficulty in reaching consensus with other developing countries.

In spite of the potential advantages of having Japan in the TPP, the US automobile industry is concerned about the potential impact of TPP on American cars' exports. For American carmakers, Japan is not only the world's third largest automotive market but the most closed auto market among the world's developed countries. Japan's recent monetary expansion policy, including depreciation of its currency, is a concern for some US carmakers as it would increase Japanese automobile industry's competitiveness and hurt American cars exports in the world market. Unlike the automobile industry, other sectors, such as agriculture and services, see the TPP as an opportunity to improve their access to the Japanese market. However, it is less likely that the Japanese government will be able to reach an agreement with domestic interest groups concerning tariff reduction in accordance with TPP anytime soon.

Despite domestic protests against Japan's participation in the TPP, Shinzo Abe's administration is determined to complete TPP negotiations. TPP is not only a way to strengthen US-Japan alliance but also an alternative to Japan-US free trade agreement (FTA). South Korea's FTA with the United States in 2012 was regarded as a harbinger to the fall of Japanese export-oriented industries, especially for cars, electronic products and machinery. In Japan's external trade, China, ASEAN and the United States are the three most important trade partners. As Japan already signed Comprehensive Economic Partnership Agreement with ASEAN in 2008, the main economic advantages of joining TPP are to get greater access to the US market. As China is on the list of TPP's potential members, TPP could open another path for Japan's entry to this emerging market, especially when the trilateral trade talks with China and South Korea are still fraught with political uncertainties.

Apart from trade, Japan is interested in establishing

a conducive business environment for Japanese firms. Unlike Taiwan and South Korea whose massive outward investments in recent years have raised concerns about their "de-industrialisation", Japan's industries had upgraded smoothly following the relocation of less technology-intensive industries to other countries. Over the last few decades, the exports of key components and other advanced industrial goods driven by Japanese subsidiaries in foreign countries have been the main engine of Japan's domestic production. In addition to lower production costs, the resource seeking and meeting of foreign market demand in both manufactured goods and services have been

the main drivers of Japan's outward investment. Given Japan's ageing and shrinking population, Japanese firms will continue to look beyond its local market. The implementation of TPP is expected to facilitate Japanese outward investment and other business activities in the region. Nonetheless, as it may take a long time for TPP members to reach a consensus due to the diversity in economic development, Japan is less likely to have immediate economic benefits from a TPP membership.

Before the finalisation of the TPP, Abe's monetary expansion and fiscal stimulus policy has provided a temporary solution to Japan's long term economic stagnation. Sustainable economic growth will depend largely on the success of its structural reforms, including raising productivity, investment in high quality human capital and R&D, and regulatory reforms that would help strengthen the competitiveness of its private firms. As TPP is expected to lower the costs of imported goods, gain wider access to overseas markets and facilitate Japan's investment at home and abroad, it is an essential vehicle for driving Abe's structural reform.

In the near term, Japan will have to map out a blueprint for its agricultural reform and reconcile its existing FTA with the TPP. If Japan fails in its structural reform driven by TPP's negotiation, any hope of Japan's economic resurgence would be stalled. Such an economic failure would then cast a shadow on Japan's economic leadership position in East Asia. An economically desperate Japan, the third largest economy in the world, after the United States and China, would add frost to snow to global economic revival. And unsuccessful TPP negotiations that could lead to Japan's economic fall would further wreck America's Asia strategy as well as US hegemonic sustainability in the region. ■

Chiang Min-hua is Visiting Research Fellow at EAI.

The implementation of Trans-Pacific Partnership is expected to facilitate Japanese outward investment and other business activities in the region.

Clash of Nationalism between China and Japan

How China and Japan handle their respective nationalism will be a deciding factor for peace and security not only between them, but also in the Asia-Pacific region in the future.

YANG LIJUN

Since the turn of the new century, there have been persistent conflicts between China and Japan over historical issues ignited by repeated visits to the Yasukuni Shrine by Japanese prime ministers and territorial sovereignty disputes over the Diaoyu/Senkaku Islands. Particularly, the disputes over the Diaoyu/Senkaku islands have escalated since the beginning of Japan's plan to nationalise the islands. Beijing wants Tokyo to recognise that the sovereignty of the islands is a matter of dispute between the two countries, while Japan insists that no dispute exists. The three classes of issues in contention include historical issues such as the Nanjing massacre, comfort women and Yasukuni Shrine; territorial issues over the Diaoyu/Senkaku islands and the East China Sea; and issues related to Japan's international relations such as Japan's bid for a United Nations Security Council seat and its alliance with the United States.

Chinese nationalism is a product of and a response to the national humiliation China suffered in the hands of imperialist powers in the mid-19th century. It is extremely sensitive to any issues concerning disputed territories. Chinese nationalism in the new century is boosted by China's economic success. For China, the successful hosting of the Summer Olympiad in 2008 has overturned the degrading branding of China as the "Sick Man of Asia". Despite China's economic success and national strength, the thoughts and behaviour of many Chinese are still shaped by a century of perceived long humiliation. Japanese nationalism towards China on the other hand is an anxiety-stricken nationalism that seeks to keep its sense of national superiority. There is within Japanese nationalism a sense of inferiority towards developed countries such as Europe and the United States and a sense of superiority towards its Asian neighbours, China included.

Chinese nationalism is less organised than its Japanese counterpart, but it has more destructive potential. It comes and goes as a social movement, with weak influence on government policy. Japanese nationalism towards China (and also Korea) is highly organised and more easily translatable at the policy level. It centres on political elites and has the backing of various civil society organisations. Both Chinese and Japanese nationalism aim to rebuild their respective national identities. To rebuild its political legitimacy, the Communist Party of China has emphasised its war experience with Japan. Similarly for Japanese politicians, they have to "glorify" and "moralise" their history, including war experience.

Nationalism in China and Japan has intensified in the 21st century due particularly to the rise of social media.

Social media have become the most effective tools for the spread of nationalistic sentiments. Common problems faced by youths in China and Japan, including unemployment and poverty, have fuelled the rise of youth nationalism in both countries. What the Internet spreads is related to reality and people's daily life. Internet nationalism in China and Japan is a byproduct of the mobilisation of social opinions by elites in both countries. The conflicts between Chinese and Japanese nationalism are mutual stimulation during the externalisation of domestic political issues.

The conflict between Chinese and Japanese nationalism doubtless will directly impact on Sino-Japanese relations and is a negative influence on economic development and regional security. In economic terms, nationalism has already had a negative impact on trade, investment and tourism of both countries. In political terms, the bilateral relationship has deteriorated greatly at the levels of both government and society. Nationalism is seriously constraining the rational foreign policy behaviour of both governments.

Historically speaking, when nationalist sentiments become forceful enough, they stand to be exploited by powerful political forces in their struggles for national power. When nationalistic political forces come to dominate political authority, they could possibly lead to inter-state conflicts. In strategic terms, the two countries tend to distrust each other and put ever more resources to build their military capacities if the conflicts become sufficiently politicised. If such a situation persists, an arms race is likely between the two countries.

The conflict between Chinese and Japanese nationalism also has an adverse impact on the security and prosperity of the Asia-Pacific region. Japan's efforts to normalise the country will have a negative impact on US-Japanese alliance as well. Normalisation means that Japan wants complete sovereignty and an independent international strategy. This means that Japan must be independent from the United States.

To turn Japan into a nuclear power will threaten US interests and endanger its presence in East Asia in the long run. But it is also true that the rise of Japanese nationalism as a reaction to Chinese nationalism will enhance Japan's need for the United States even more, since the rise of Chinese nationalism means that Japan will have to continue leveraging on the US-Japan alliance. Therefore, Japanese nationalism is a challenge for both Tokyo and Washington. For the United States, the most difficult task is to balance an economic "Chimerica" and a strategic "US-Japan alliance." ■

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Japan and Hong Kong: From Postwar Era to Now

After World War II, Hong Kong-Japan relations have been consolidated by both push and pull factors. The limited export network of Japan in Asia constituted the push factors, while Hong Kong's unique hub status before and during the Cold War provided the pull factors.

KWONG KIN-MING

The relatively close economic, and particularly socio-cultural, ties between Hong Kong and Japan are remarkable, given that the Hong Kong Chinese are generally nationalistic, as shown by their occasional protests over the sovereignty of Senkaku/Diaoyutai Islands. Although a Taiwanese scholar once opined that though Taiwanese society is closest in terms of cultural affinity to Japan in the world, Japanese lifestyle made its mark first in Hong Kong and not Taiwan in Asia. Against this backdrop, the links between Hong Kong and Japan can only be better understood when placed in historical contexts.

After World War II, Hong Kong-Japan relations have been consolidated by both push and pull factors. The limited export network of Japan in Asia constituted the push factors, while Hong Kong's unique hub status before and during the Cold War provided the pull factors.

The whole of East Asia, which has suffered from Japan's imperialism, largely initiated the de-japanification process soon after WWII. China adopted a closed door policy until late 1970s, while Taiwan's limited cultural input from Japan until 1994 and South Korea launched a blockade preventing "Japan's cultural invasion". In the meantime, Hong Kong resumed its relations with Japan as early as in the late 1940s.

Two reasons could help explain Hong Kong's improving relations with Japan in the post-war era. The founding of People's Republic of China (PRC) and the onset of the Cold War in the late 1940s provided the first explanation. Technically speaking, Hong Kong under British rule was in the same anti-communist bloc as other Southeast Asian countries, and thus in the same camp opposing to the PRC during the Cold War. In the eyes of Western powers such as the United States and the United Kingdom, Japan and Hong Kong were in the same line for containing China. This then provided space for the growing relations between people from Japan and Hong Kong.

Because of the worsening of China-Soviet relations, the USSR gradually became the dominant enemy in PRC's political narratives, leaving little room for nationalistic sentiments arising from Japan's previous invasion and catalysing post-war Hong Kong-Japan relations.

The cultural exchange between Hong Kong and Japan from the 1940s to 1970s was rather impressive especially in their joint film productions. Hong Kong was the first in the region to broadcast Japanese programmes on television. Japan pop songs were well known in the 1970s.

The more frequent interactions have put the image

of Japan in a more positive light in the eyes of both the Hong Kong people and the government. As described in an unpublished conference paper of Dr Victor Teo, an expert on Japan from the University of Hong Kong, the social developments as well as technological advances of Japan during the 1960s and 1970s particularly impressed the younger generation in Hong Kong. Japan gradually became a role model of social life, a reason why the Japanese department stores have bloomed in Hong Kong since the 1960s. When Daimaru first opened its branch in the city, it attracted a crowd of more than a hundred thousand people. It was little wonder why Hong Kong was once the city with the highest number of Japanese department stores outside Japan.

Given the joint economic and commercial interests throughout the 1970s to the 1980s, the colonial Hong Kong government was also increasingly conscious of the importance of Japan in assisting Hong Kong's economic development.

After the handover to China, however, although Japan would like to keep its links with Hong Kong, its economic move since 1998 has triggered worries. An indicator is the downslide of the number of licensed Japanese financial firms having businesses in Hong Kong from 91 in March 1997 to only 35 in June 2000. Some statistics from the Japanese government

are also illuminating. Although Hong Kong's share in Japan's total outward investments increased from 1.9% in 2000 to 3.8%, China's share also increased significantly from 2.1% in 2000 to 12.7% in 2010, stirring doubts about whether Hong Kong's intermediary role between China and Japan can still be maintained.

However, according to a research by Ting Wai and Ellen Lai, who both study international relations in Hong Kong, the Japanese business sector in the city is still optimistic about the role of Hong Kong, which is extremely beneficial to Japanese enterprises, particularly small and medium enterprises, for their plans to develop business in the Mainland. Hong Kong serves as a "test market" and a showcase for products before enterprises formally enter the mainland market. The cosmopolitan characteristics of the city have become a melting pot for the west and the east, facilitating commercial and economic transactions. ■

Kwong Kin-ming is Research Assistant at EAI.

The cultural exchange between Hong Kong and Japan from the 1940s to 1970s was rather impressive especially in their joint film productions. Hong Kong was the first in the region to broadcast Japanese programmes on television. Japan pop songs were well known in 1970s.

Japan and China Woo ASEAN

China and Japan's competitive relationship has put ASEAN in a difficult position.

ZHAO HONG

Japanese Prime Minister Shinzo Abe after returning to power in December 2012 moved quickly to consolidate Japan's friendship with the Association of South East Asian Nations (ASEAN). Unlike other Japanese leaders of the post-war era, Abe is eager to go multifaceted in its relations with ASEAN especially in maritime security cooperation.

Strong maritime cooperation with ASEAN countries is part of Tokyo's broader diplomatic strategy. In Abe's consideration, by turning to Southeast Asia, Japan is bringing its Senkaku/Diaoyu Islands disputes with China into a broader international context. Tokyo now sees the conflict in the East China Sea as being closely linked to the territorial disputes in the South China Sea and the wider issue concerning Beijing's growing military ambitions.

In particular, Japan is forging new partnerships with Vietnam and the Philippines, the two ASEAN countries in territorial spats with China in the South China Sea. Since Abe's return to power in 2012, maritime security cooperation has become a dominant feature in bilateral relations. Abe reaffirmed Japan's assistance in strengthening the Philippines' Coast Guard with the provision of 10 new patrol vessels valued at \$11 million each.

For the Philippines, Aquino recently announced that the United States and Japan will be given access to the Subic Naval Base. The Philippines will thus play a key role in Japan's defence strategy of deploying marines and surveillance drones to protect its remote islands and strengthen its broader foreign policy strategy of re-engaging the 10 ASEAN members.

IN COMPETITION FOR ECONOMIC RELATIONS WITH ASEAN

Japan's regional profile has been in decline since the 1990s. During Tokyo's "lost decades", ASEAN was embraced by China's charm diplomacy. China is now ASEAN's top trade partner and overtook Japan as the largest economy in the region.

China's ASEAN strategy is multifaceted, involving comprehensive dimensions. For Japan, its relations with ASEAN are a mix of commercial interests and concerns for China's expanding influence. Although Japan is still ASEAN countries' top economic partner, its economic position there has been declining compared with that of China, especially with new ASEAN member countries. In 2009 Japan's foreign direct investment (FDI) in CLMV (Cambodia, Laos, Myanmar and Vietnam) was \$206 million, while China's FDI in these countries reached \$384 million. From 2000 to 2011, the bilateral trade between China and ASEAN increased from \$32 billion to \$280 billion, while that of Japan increased from \$116 billion to \$273 billion.

ASEAN aims to build an ASEAN community by 2015. Japan has played a role in its assistance in enhancing

ASEAN connection and narrowing the development gaps within ASEAN. Japan has contributed to the Mindanao peace process in the Philippines and worked on socio-economic development projects in the conflict affected areas in Mindanao. By the year 2010, Japanese total bilateral official development assistance (ODA) to ASEAN countries was \$929.2 million, or 36.8% of its total bilateral ODA to Asia.

For China, it is the primary supplier of economic assistance to Myanmar, Cambodia and Lao, financing a number of energy-related, infrastructure, agricultural and other high profile development projects in these countries. China has also been cultivating economic relations with states neighbouring the South China Sea. In Vietnam, China is in railway construction, hydro-power development and ship-building facilities. In the Philippines, China has invested in infrastructure, energy, agriculture and mining. China's ODA to the Philippines grew from \$35 million in 2001 to \$1.14 billion in 2010, reflecting its close ties with the Arroyo administration.

Strong maritime cooperation with ASEAN countries is part of Tokyo's broader diplomatic strategy.

ASEAN BETWEEN CHINA AND JAPAN

ASEAN has a long history of dealing with major powers, especially with the United States and China during the Cold War. ASEAN is in a difficult situation in the case of China and Japan which have been wooing ASEAN vigorously.

Both China and Japan are major trading partners of ASEAN and important players in nearly all ASEAN-led regional integration programmes.

ASEAN recognises that ASEAN+3 is the main mechanism for building an East Asian Community. In this regard, ASEAN countries would move closer to China through regional economic integration and mega-regional infrastructure projects, such as the Singapore-Kunming Rail Link, bilateral assistance packages, FTA frameworks and the Regional Comprehensive Partnership. The ASEAN-China FTA has been providing great economic benefits to ASEAN because of China's strong economic growth and its big middle-class consumption market.

But from ASEAN's perspectives, they also need closer strategic relations with other big powers such as the United States and Japan in order to counter China's influence, especially on territorial disputes in the South China Sea. Vietnam and the Philippines are co-operating politically and militarily with Japan and the United States, through high level visits and frequent joint military exercises.

ASEAN would be in a strategic dilemma and several ASEAN+3 schemes could be jeopardised if tensions in Beijing and Tokyo relations continue to heighten. ASEAN countries would face tremendous challenges positioning themselves between the two powers. ■

Zhao Hong is Visiting Senior Research Fellow at EAI.

Recent Staff Publications

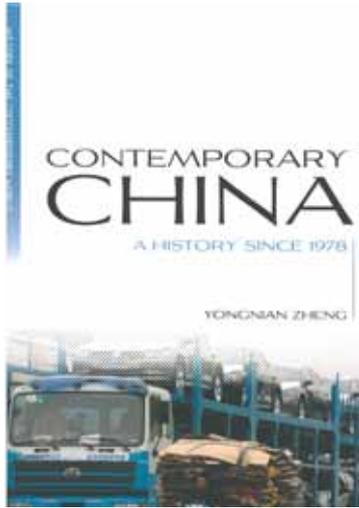
Books

Contemporary China: A History since 1978

Author: **Zheng Yongnian**

Publisher: **Wiley-Blackwell**

Year of Publication: **2014**



China's transformation from a poor country to the world's number two economy is one of the most significant developments in contemporary history. In this book, Zheng Yongnian examines China's economic, political and social development from the onset of reform in the late 1970s to the present. Beginning with the reform and open-door policy initiated in the

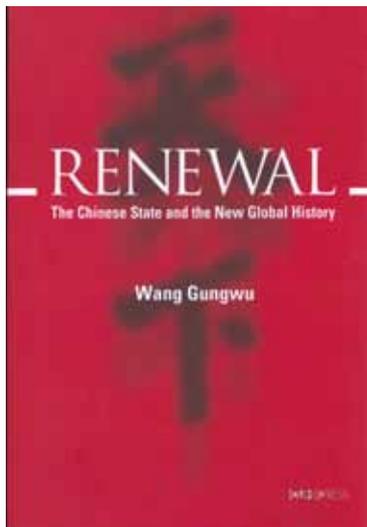
aftermath of the Cultural Revolution, this book tracks how the country has progressed alongside worldwide movements of globalisation.

Renewal: The Chinese State and the New Global History

Author: **Wang Gungwu**

Publisher: **The Chinese University Press**

Year of Publication: **2013**



Historian Professor Wang Gungwu probes into the Chinese perception of its place in world history and traces the unique features that propel China onto its modern global transformation. He depicts the travails of renewal that China has to face and gives readers an understanding of China's position in today's interconnected world. This collection of Professor Wang Gungwu's thoughts is

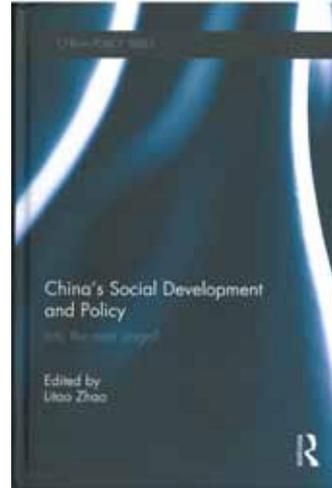
a must-read for all who wish to contemplate China's root and routes along its modernisation trajectory.

China's Social Development and Policy: Into the Next Stage?

Editor: **Zhao Litao**

Publisher: **Routledge**

Year of Publication: **2013**



In China, social development has fallen far behind economic development. This book looks at why this is the case, and poses the question of whether the conditions, structures and institutions that have locked China into unbalanced development are changing to pave the way for the next stage of development. Based on an empirical examination of ideological, structural and institutional

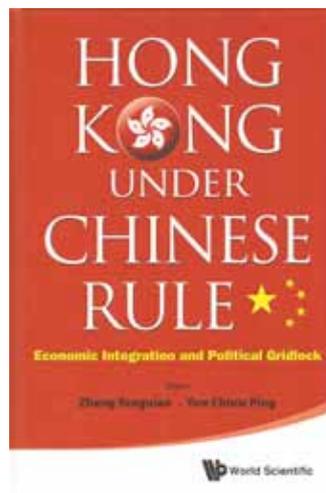
transformations that have shaped China's development experiences, the book analyses China's reform and development in the social domain, including pension, healthcare, public housing, ethnic policy and public expenditure on social programmes.

Hong Kong under Chinese Rule

Editors: **Zheng Yongnian and Yew Chiew Ping**

Publisher: **World Scientific Publishing**

Year of Publication: **2013**



This edited volume is a compilation of the analyses written by East Asian Institute experts on Hong Kong since the handover. It covers most, if not all the important events that have taken place in Hong Kong since 1997, including its economic integration and relations with China, its governance conundrums, the Hong Kong identity and nation-building, the implementation of the minimum wage and the elections from 2011 to 2012.

The book's panoramic view of Hong Kong makes it a useful resource for readers who seek a broad understanding of the city and how it has evolved after its return to China.

China and the Chinese Overseas

Author: Wang Gungwu

Publisher: Shanghai People's Publishing House

Year of Publication: 2013



Chinese overseas pursue cultural autonomy wherever they migrate. This was relatively easy before the modern nation states demand their surrender of minority rights and participation in national assimilation. In response, they had revised their objectives from absolute autonomy to carving out an independent cultural space in countries that allowed them to retain distinctive cultural

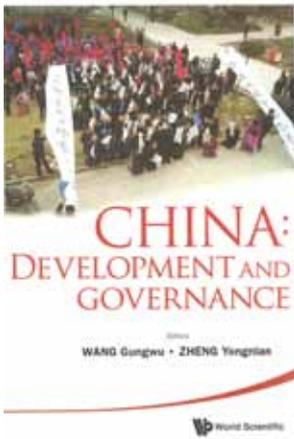
identity. In searching for such an independent cultural space, some Chinese had even chosen to re-migrate. Today, the policy of assimilation has been weakened in the face of cultural pluralism. Greater cultural autonomy will encourage more Chinese to pledge loyalty to countries that provide them with better terms. This book is an effort to follow this development.

China: Development and Governance

Author: Wang Gungwu and Zheng Yongnian

Publisher: World Scientific Publishing

Year of Publication: 2013



This 541-page book comes with 57 short chapters based on up-to-date scholarly research written in a readable and concise style. China faces a host of pressing challenges that include the need to rebalance and restructure the economy, the widening income gap, the poor integration of migrant populations in the urban areas and the seeming lack of political reforms and environmental degradation.

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By Qian Jiwei (with Åke Blomqvist)

The Ascendancy of State-owned Enterprises in China: Development, Controversy and Problems, *Journal of Contemporary China*

By Yu Hong

Taiwan-Japan Relations under Ma's Presidency

Taiwan-Japan relations are overshadowed by the uncertain stance of Taiwan President Ma, who uses Tokyo as a strategic leverage to balance an overwhelming Chinese influence.

KATHERINE TSENG HUI-YI

Ma Ying-Jeou took the presidency of Taiwan running on the ticket of the Kuomintang (KMT) in 2008. Since then, Ma had premised his foreign relations policy on a solid Taiwan-US relation, while rapprochement with China and amicability towards Japan constitute two fortifying pillars. Hence, Ma's every move is calibrated towards achieving an amicable Taiwan-US relation, including its relations with Tokyo, United States' top ally.

Indeed, under Ma's reign since 2008, the amicable atmosphere between Taiwan and Japan has sustained, in particular after Japan received the largest amount of private donation from the Taiwanese after the 2011 triple disasters of earthquake, tsunami and nuclear meltdown in Fukushima. Ma's goodwill gesture to Tokyo is likely a request for Japan's recognition of the six-decade rule of the Republic of China government.

This move is in line with the United States' rebalancing to Asia policy under the Obama administration. With Japan at the chokepoint of marine traffic routes along the southeast coast of China, it will help Washington to defend the first island chain against a more expansive and assertive communist China.

Taiwan's de facto independent status is a shield for Japan, keeping the mainland Chinese busy with rapprochement. A de facto independent Taiwan is also more likely an ally which Japan could rely on in cases of war with the People's Liberation Army.

Ironically, Taiwan's continuous de facto independence can only be achieved via rapprochement with China, a reason for the quick thaw in cross-strait relations when the two sealed the Economic Cooperation Framework Agreement in June 2010.

In August 2013, a total of 19 agreements were concluded under this framework. Likewise, Taiwan is also cultivating relations with Japan to balance its overdependence on China. An investment protection agreement between Taiwan and Japan was concluded in 2011. Taipei further embraces Japanese enterprises that are attempting to skirt a deteriorating Sino-Japanese relation or to take advantage of Taiwan's linguistic and cultural affinity with China.

For Taipei, it is only through these two channels that Taiwan could play out its supporting role to the United States. With firm support from Washington and Tokyo, and a pacified Beijing in the background, Ma is able to bring Taiwan back on the international map under the name of "the Republic of China".

Nevertheless, risks loom large.

It remains uncertain as to what extent Japan would be willing to support Ma's goal. The amicable relations maintained by Tokyo and Taipei during the early period of the Democratic Progressive Party (DPP) reign (2000-2004) could be attributed largely to former Taiwan President Lee Teng-hui's belief that DPP President Chen Shui-bian was

the key person to help Taiwan achieve independence. Chen's alliance with Japan and the United States based on similar values such as democracy, human rights and freedom however had been shattered by the latter's corruption scandal. A cleavage between Chen and Lee was another dampener. Without any commonalities, Ma may not enjoy the same kind of support from Japan during Chen's reign.

Japan's support of a pro-independent Taiwan is largely because of Beijing. Ma's rapprochement with Beijing after the downfall of Chen is nevertheless an area of concern for Tokyo which would rather have an ally than an enemy in Taiwan.

Ma is treading on thin ice with his current cross-strait policies and Japanese policy when he repetitively rejected calls for talks on serious political issues with Beijing. However, an independent or status quo Taiwan could still be unnerving for Tokyo as it has to stake its national and security interests on Taiwan's uncertain future.

It is thus logical that Tokyo has not responded to Ma's East China Sea initiative in August 2012 or accorded Taiwan with the corresponding respect of a partner with sovereign status in the Taiwan-Japan fishery agreement sealed in April 2013. Nevertheless, friendship is likely to prevail if Taiwan continues to show uncertainty about its future direction and if Ma keeps his pursuit for Taiwan in low profile. ■

Katherine Tseng Hui-yi is Research Associate at EAI.

Taiwan's de facto independent status is a shield for Japan, keeping the mainland Chinese busy with rapprochement. A de facto independent Taiwan is also more likely an ally which Japan could rely on in cases of war with the People's Liberation Army.

Japan's "Stealth" Power in Myanmar

Recent Japanese 'successes' in Myanmar are not new but rather part of long term strategic interests.

ALISTAIR D B COOK

After the controversial 2010 Myanmar national elections were followed by internationally accepted by-elections in 2012, international interest in Myanmar's transition has flourished. The international coverage of western interest in the transition ranges from a democracy promotion and human rights perspective to the "American 'pivot' to Asia" view and other more sceptical analyses. Much of this coverage has focused on western involvement to balance Chinese influence in the country. However, less attention has been given to the role and interest of other Asian powers in Myanmar, notably Japan. An examination of the involvement of Japan as a stakeholder in the transition shows that Japan has largely pursued a quiet approach towards Myanmar in order to gain a strategic foothold in the country. Essentially, Japan's "stealth power" has taken Myanmar by storm, which has largely been overlooked by the international media.

Through the 'sanctions years,' the Japanese government did not impose sanctions but maintained trade ties with Myanmar although it did suspend official development assistance (ODA) except humanitarian aid. Similarly, Japanese companies held back from investing in Myanmar so as not to jeopardise relations with the United States and the EU. However, since ties between Myanmar and western nations have thawed, Japanese investors and government activity in Myanmar has been renewed. While there were self-imposed measures to limit its direct involvement in Myanmar during the sanctions years, many low-level interactions continued between different interests in Japan and Myanmar. It is this low-level interaction which has enabled Japan to gain an investor head-start. Indeed in line with western suspension of sanctions, Japan wrote off debt of US\$3.7 billion and resumed ODA in April 2012.

At present Japanese companies' combined investments make Japan the 11th largest foreign direct investor in Myanmar in 2013. The low-level interactions placed Japanese firms ahead of the global curve, having already established networks in the country before and during the sanctions period without irking the West. The Tokyo Stock Exchange and Japan's second-largest brokerage firm, Daiwa Securities Group, signed a Memorandum of Understanding (MOU) with the Central Bank of Myanmar and set up a new stock market after the Myanmar parliament passed the Security Exchange Law in July 2013. However, the cooperation is not entirely new; Myanmar established ties with Daiwa in 1996 through a joint venture between Daiwa Institute of Research and state-owned Myanmar Economic Bank as part of early efforts to establish a securities market. It has remained low profile mostly offering over-the-counter sales of stocks for only two local Myanmar companies since

the joint venture commenced. The Tokyo Stock Exchange and Daiwa initiated negotiations on the stock market in 2010 and are currently offering technical assistance to develop a regulatory framework as well as investigate ways to encourage the growth of brokerages needed for a functional securities market in Myanmar.

This 'stealth power' approach serves not only Japanese business interests but also Japan more strategically. The Japanese government appointed Nippon Foundation Chairman Yohei Sasakawa as the Special Envoy of the Government of Japan for National Reconciliation in Myanmar on 19 February 2013. In this position, he represents the Government of Japan in contacting the Myanmar government, ethnic minorities and the governments of other countries to facilitate and reach national reconciliation.

In this instance again, networks matter. The Nippon Foundation has provided assistance to Myanmar since 1976 and is a pivotal choice of an organisation which has significant leverage. Indeed illustrative of the importance of these networks, on 22 December 2012, 50 tonnes of rice and boxes of Western and local herbal medicines totalling approximately US\$64,000 were given to internally displaced persons in Moulmein, Mon State. It was the first time that a foreign non-governmental organisation – the Nippon Foundation – was permitted to deliver humanitarian relief directly to those affected by internal conflict in Myanmar.

Since the MOU was signed between the Nippon Foundation and the Myanmar government in October 2012, the foundation has interacted with executive committees from 11 ethnic nationalities belonging to the United Nationalities Federal Council based in Chiang Mai, Thailand. This led the foundation to observe various peace negotiations with armed groups and illustrated the initial level of trust accorded to the organisation. A thorough assessment suggests that the Japanese approach focused on low-level and long-term interactions to maintain its presence. The overarching Japanese 'stealth power' grand strategy has leveraged its interests to gain a stronger foothold in Myanmar, competes with China and spreads Japanese overseas investments. Indeed, Yohei Sasakawa said in an interview that Japan's involvement was illustrative of an "Asian way" ensuring personal involvement of the Nippon Foundation's leaders with their Myanmar connections. It is clear that Japan has established strong networks in Myanmar over a long period of sustained albeit low-level interaction. It is this Japanese 'stealth power' approach that has allowed Japanese influence in Myanmar to fly under the radar in various analyses in the international media. ■

Japan's "stealth power" has taken Myanmar by storm, which has largely been overlooked by international media.

Alistair D B Cook is Visiting Research Fellow at EAI.

Japan's Middle East Policy in a Post-Fukushima Paradigm

What challenges do Japan face in balancing its energy security with its US-Japan alliance and what are the opportunities for cooperation in the region?

ISAAC CHAN

The Middle East is both an immense opportunity for cooperation and growth, as well as a risky venture for Japan. Japan's Middle East policy crystallises the difficulty of balancing its military and territorial security—guaranteed by the Japan-US alliance—with Japan's need for energy security.

The Triple Disasters of March 2011 have had significant consequences for Japan's economy, particularly its energy security. Where energy is concerned, Japan is extremely dependent on imports. The International Energy Agency estimated that Japan was 80% reliant on imported energy sources. Without nuclear power, this reliance rises dramatically to 96%. In 2010, approximately 84% of its crude oil originated from the Middle East. In 2011, this figure climbed to 87% due to a 33% increase in energy imports from the GCC (Gulf Cooperation Council) countries to make up for the stoppage of nuclear energy. As a result, Japan saw its first current account deficit in 36 years – calling into question the long-term sustainability of this policy.

The Middle East has accordingly regained its importance in Japan's foreign policy. There were two high-level visits in two years—one by FM Gemba in April 2012 and another by PM Abe in May 2013. Each time, Japan has worked diligently to acquire assurances of a stable oil supply. In return, Abe has sought to deepen ties between the two sides by expanding the range of cooperative issues. This will serve to create more flexible and durable ties necessary for the long-term protection of Japan's energy security.

Japanese energy consumption of liquefied natural gas (LNG) and liquefied petroleum gas (LPG) has spiked after the Fukushima disasters, as part of its energy diversification strategy. Australia and Malaysia, followed by Qatar, are Japan's largest LNG suppliers, somewhat easing its reliance on Arab energy imports. That said, until alternative energy sources are found, the Middle East remains integral to Japan's energy security.

The second prong of Japan's Middle Eastern policy concerns its closest Western ally – the United States. The United States has been constantly calling on Japan to play a more active military role in the region and increase its weight in the alliance. Japan significantly deployed 631 non-combat self-defence force (SDF) personnel to Iraq from 2004 to 2006—Japan's most active intervention by far. In 2010 Japan also established a small, permanent naval base in

Djibouti to defend shipping activities against piracy. Japan's military operations can thus be interpreted to be a result of US influence and pressure.

That said, the Fukushima incident has revitalised Japan-US relations and has made both sides a lot keener to advance cooperation and strengthen ties. This means that while Japan will still have to tread the line between US alignment (and risk antagonising its Arab oil-producing states) and policy independence (and risk its US alliance), this balancing act will arguably be easier for Japanese policymakers.

On the other hand, future US interventions in the region (for example in Egypt, Syria or Iran) could complicate Japan's relations with Arab states. This comes at a time when Japan wishes to bolster US-Japan alliance to counter an ever more assertive China. Tokyo might therefore be obliged to align itself closer to the United States, which could potentially hurt its standing in the region.

Finally, while Japan has consistently kept a low political profile in the Middle East, it has been active diplomatically and economically by providing Official Development Aid (ODA), engaging in knowledge transfers, and participating marginally in both the Arab-Israeli peace process and Iran's nuclear proliferation negotiations. In 2011, Japan pledged nearly US\$1 billion of ODA to various Arab countries, while the United States poured about US\$3.2 billion into the region. Japan also runs a Japan Foundation in Cairo which strengthens Japanese soft power through cultural and language

exchanges.

Although there is certainly much to be gained in terms of prestige and international standing, Japan's ultimate aim is to stabilise the region and consequently its energy supplies. Japan has been trying to consolidate its position in the Arab camp as evident in the increasingly strong language condemning Israeli settlement construction since 2011. Post 3-11 (triple disasters), regular dialogues have been held with Iran and Iraq, two powerful but potentially volatile countries in the region. Japan now also seeks cooperation in a more varied range of sectors.

Japan's Middle East policy has been remarkably successful insofar as it has been able to assure its energy supplies, while maintaining its US alliance. ■

Isaac Chan is an intern at EAI.

Japan's Middle East policy has been remarkably successful insofar as it has been able to assure its energy supplies, while maintaining its US alliance.

Tourism Growth in East Asia

The tourist industry in East Asia is the industry to watch in this region.

JOHN WONG

For some ASEAN countries like Thailand, Singapore, Malaysia, Vietnam and Laos, tourism has become one of the most dynamic industries, with significant contribution to economic growth and employment generation. In 2011, total receipts from international tourism accounted for 8.9% of gross domestic product in Thailand, 7.3% in Singapore, 6.8% in Malaysia and 4.6% in Laos.

China, Japan and Korea are both large tourist markets themselves and big sources of outbound tourism. In particular, China counted 80 million outbound tourists in 2012 and an expected 90 million for 2013.

Japanese economists used to explain the pattern of economic development in East Asian (EA) by the "Flying Geese" model. It was the first country in Asia to achieve economic take-off in the post-war period, being the leading goose. The economic take-off of the four newly industrialised economies of South Korea, Taiwan, Hong Kong and Singapore formed the second wave. Malaysia, Thailand, the Philippines and Indonesia made up the third wave, which was soon joined by China.

While tourism contributes to economic growth, it is also a product of successful economic growth, particularly for outbound tourism. International tourism in EA has also followed a similar "flying geese" pattern. The first group of Asian tourists in the region was the Japanese. Hongkongers

and Singaporeans formed the second batch of Asian tourists, followed by the Malaysians, the Thais and finally today the Chinese from the PRC. Myanmar will probably be the last goose in the region's pattern of tourism development!

SINGAPORE'S TOURIST INDUSTRY

Specifically for Singapore, tourism has become a key industry in this high-income service-oriented economy. International tourist arrivals increased from 8.3 million in 2004 to 15 million in 2012, which is more than twice of Singapore's resident population. Tourism receipts also grew from S\$10 billion in 2004 to about S\$25 billion in 2012. Visitors from Indonesia top the list of Singapore's total tourist arrivals, followed by China, Malaysia, Australia, India and Japan. Of Singapore's top 15 sources of tourist arrivals, 10 are from the ASEAN-plus-Three countries.

Singapore as a small city-state has inherited few large-scale natural tourist spots. It has invested a lot of resources to build many man-made tourist attractions of international standard, including the MBS Skypark, Night Safari, Sentosa and Universal Studios Singapore.

Accordingly, Singapore's tourist sector today has become a mature and well diversified industry. In 2012, it comprised 338 hotels with 51,000 rooms, 1,100 licensed travel agents

China, Japan and Korea are both large tourist markets themselves and big sources of outbound tourism.

TOURISM IN EAST ASIA, 2011

Country	Total GDP (US\$ billion)	Per Capita GDP (US\$)	International Tourists (million)	Receipts from (US\$ billion)	Receipts from Tourism as % of GDP
China	7,322	5,447	57.6	53.3	0.7
Japan	5,897	46,135	6.2	12.5	0.2
Korea, Rep	1,114	22,388	9.8	17.2	1.5
ASEAN 10					
Brunei	16.4	40,244	0.2	0.2	1.2
Cambodia	12.8	878	2.9	1.8	1.4
Indonesia	846.3	3,471	7.7	9.0	1.1
Lao, PDR	8.2	1,262	1.8	0.4	4.6
Malaysia	287.9	10,012	24.7	19.6	6.8
Myanmar*	85.5	1,400	0.4	0.3	3.5
Philippines	224.8	2,365	3.9	3.8	1.6
Singapore	245.0	47,268	10.4	18.0	7.3
Thailand	345.7	5,192	19.2	30.9	8.9
Vietnam	123.7	1,408	6.0	5.6	4.5

*Myanmar GDP and Per-capita GDP are from 2011 CIA Fact Book.

Source: World Bank Databank

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EAI International Conference

Urbanisation in China: Challenges and Prospects



From left: Dr Liu Thai Ker, panelists at the roundtable session and Professor Zheng Yongnian

The new Chinese leadership has singled out urbanisation as a key strategy to boost domestic demand and consumption in order to sustain the country's economic growth largely driven by investments and exports for the past three decades which are now losing momentum as key economic drivers.

At the two-day EAI-organised international conference titled "Urbanisation in China: Challenges and Prospects" industry experts and academics examined the rationale and objectives behind China's renewed emphasis on urbanisation, and the economic, social and environmental impacts of urbanisation. EAI Director Professor Zheng Yongnian remarked in his opening address that the current round of urbanisation under the new Chinese leadership places greater emphasis on ensuring quality of urbanisation instead of mere expansion and creation of more cities. Professor Zheng noted that Chinese leaders have also discerned the urgency to address urbanisation-related issues, such as housing, environment, infrastructure and social services, and that greater attention should be given to coordinating growth of middle-income cities and ensuring rural areas perform their own socio-economic functions and share a dynamic existence with urbanisation.

The two-day conference had seen speakers making frequent references to the keynote address delivered by Dr Liu Thai Ker, Singapore's renowned award-winning architect-planner who was head of the Housing Development Board (HDB) and Urban Redevelopment Authority (URA) during Singapore's transformational years. He was instrumental in the successful implementation of public housing in Singapore and in setting the vision for Singapore's urban development. Dr Liu has been the founding chairman of the Centre for Liveable Cities since 2008 and is director of RSP Architects Planners and Engineers.

Dr Liu said public housing is the "open secret weapon" to Singapore's urbanisation. The Singapore government was able to resettle Singaporeans living in slums, squalor and rural villages and provide affordable public housing with conducive home environment. The government planned for the long term and regarded master plan as highly precise and sacrosanct that should not be tampered with. In short, the government should not be involved in the micro aspects of the planning. In Singapore's case, the master plan is strictly

adhered to and followed up with detailed infrastructural, urban and engineering plans for implementation.

Dr Liu pointed out that though urbanisation occurs at an unprecedented scale in China, there are not many cities that can claim successful outcomes. Urbanisation is understandably less successful in older cities as they grow slowly and organically over time. China's strengths lie in its development-oriented administration and sound key policies. Backed by strong government, actions are taken quickly but plans are often hastily conceived. The fact that Chinese officials have clearly defined responsibilities implies that projects do proceed in the jungle of bureaucracy. Also, local governments are committed to development and have the financial means.

Nevertheless, there are some sound key policies that the Chinese government had put in place, including control of urbanisation land for agricultural use to ensure food security, and efficient intercity connectivity by rail, road and air, etc. China's pursuit of GDP growth and investments is one of its weaknesses. Unlike Singapore's system-wide approach, China is project-oriented where achieving immediate results in the fastest time and speed is imperative, resulting in hastily conceived design that compromises on the objectives of the master plan. Often, local governments rely on land sale for funding, resulting in premature supply in real estate.

China's nascent urban culture implies that there is a lack of understanding among government officials and leaders about the need for precision and consistency in urban planning. The officeholders do not have clear concept and ideas of the attributes of efficient cities, and building iconic projects are their preoccupation. While there are many cases of failed or poor urban planning in China, Dr Liu expressed optimism for China's urbanisation.

The first day of the conference focused on economic and social issues in China's urbanisation, with noted economists and sociologists among the speakers: Professor John Wong, Dr Zhao Litao, and Dr Qian Jiwei (East Asian Institute, NUS); Professor Peng Xizhe (Fudan University); Professor Yoshihisa Godo (Meiji Gakuin University and East Asian Institute); Professor Nahm Kee-Bom (University of Seoul); Professor Li Shantong and Professor Gong Sen (Development Research Centre of the State Council, China);

Professor Chen Aimin (Sichuan University); Professor Tao Ran (Renmin University); Professor Mok Ka Ho (Hong Kong Institute of Education); Associate Professor Li Bingqin (Australian National University); Professor Cindy Fan (University of California, Los Angeles); and Professor Li Chunling (Chinese Academy of Social Sciences).

Land and urban planning, regional development and governance issues in China's urbanisation took the central theme in the second day's conference. Academics from various disciplines such as urban planning, management studies and environmental engineering share their insights on China's land use patterns and system, rural land consolidation, water crisis and pollution control, etc. The panel of speakers were Professor Xu Qingrui and Mr Wu Zhiyan (Zhejiang University); Associate Professor Ding Chengri (University of Maryland); Dr Zhong Sheng (Xi'an

Jiaotong-Liverpool University); Professor Zhao Min and Dr Zhang Li (Tong Ji University); Professor Chen Yongjun (Renmin University); Associate Professor Lu Duanfang; Professor James G Wen (Trinity College); Dr Chen Gang (East Asian Institute, NUS); and Professor Li Zifu (University of Science and Technology Beijing).

The roundtable session, chaired by Professor Zheng Yongnian, at the end of the speakers' lectures was described as a melting pot of multi-faceted perspectives and insights. The roundtable panelists were Professor Chen Aimin, Professor Cindy Fan, Professor Yoshihisa Godo, Professor Peng Xizhe and Professor Li Shantong.

On a final note, Professor Zheng said that the Chinese government should focus on urbanising rural population to help improve life quality, instead of urbanising land and physical construction. ■

continued from page 1

Prime Minister Abe Shinzo: Transforming Postwar Japan?

His controversial view of history and his adamance not to be soft on territorial disputes with China and South Korea mean that relations with these two countries are likely to be prickly for the duration of his premiership.

Despite his rightwing ideology and possibly rocky relations with Japan's immediate neighbours, Abe's domestic popularity is likely to remain high if he can deliver the economic goods. It is not inconceivable that Abenomics may enjoy good results for the next two to three years, winning him popular support that may well tempt him to push for constitutional revision, more nationalistic history textbooks, collective security, a National Security Council and annual hikes to Japan's defence budget. Such a policy agenda will be controversial if not alarming to many Japanese at home and Chinese and Koreans abroad.

It is uncertain whether Abe will succeed in restoring the long-term dominance of the LDP in Japanese politics or jettisoning Article 9 (the famous no-war clause in the pacifist constitution). There are at least two major challenges which may dent the popularity of the Abe administration—Japan joining the Trans-Pacific Partnership to the dismay of special interests especially agriculture and a hike in the consumption tax which will infuriate many voters.

Japan today is indeed at the crossroads. With Abe at the helm, will Japan end two "lost decades" of economic doldrums and emerge as an economic superpower again with the ability to provide aid and "purchase" friendship abroad? Will Abe succeed in transforming the pacifist postwar state into a "normal" state with a more assertive posture in international relations? The jury is still out whether a more confident and revitalised Japan led by Abe will lead to a more stable balance of power in East Asia amidst China's rise or more turmoil caused by Sino-Japanese geo-strategic competition and competing historical narratives. ■

Lam Peng Er is Senior Research Fellow at EAI.

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Tourism Growth in East Asia

and 2,300 licensed tourist guides, hundreds of tourism-related shopping centres and restaurants, and hence the industry's immense contribution to local employment.

Other EA countries can draw lessons from the Singapore experience. Apart from a constant emphasis on training and human resource development, the government has also maintained high levels of safety and security for foreign tourists. Its multi-cultural and multi-ethnic society and widespread use of English hold special attraction for many tourists. Singapore has also long been highly successful in promoting the business of convention. In recent years, the new focus is on medical and educational tourism.

EAST ASIA COOPERATION FOR TOURISM

EA tourism has a strong regional character, as manifested in the "Flying Geese" pattern of growth. Big countries like China and Japan can, of course, develop their tourism independently, but not that for many smaller ASEAN states. In fact, many organised group tours in the region are cross-border activities like the Singapore-Malaysia-Thailand tour, Singapore-Indonesia tour, Thailand-Laos-Cambodia tour and so on. Regional cooperation thus contributes to the growth of regional tourism.

Beyond economic benefits and beyond recreation and entertainment, tourism can promote cultural exchange while regional cooperation can provide better protection of the environment with eco-tourism. ASEAN has already put in place the "Master Plan on ASEAN Connectivity", which comprises three components: (a) Physical Connectivity for better transportation and communication infrastructure networks; (b) Institutional Connectivity for removing impediments to movements of goods, services and people; and (c) People-to-People Connectivity to promote better intra-regional social and cultural interaction. ASEAN's efforts to promote and enhance its connectivity have been endorsed by the ASEAN-plus-Three framework. ■

John Wong is Professorial Fellow at EAI.

Some Highlights at EAI



EAI scholars at the jointly organised conference with the University of Malaya in September 2013



Above: At the EAI forum on "China's Economy Adjusting to Lower Growth: Challenges for China and the Region"
Below: At the jointly organised EAI-ISAS workshop on "Federalism in China and India"



Above: Prof Lau Siu-kai gave an EAI Distinguished Public Lecture on "The Middle Class and Hong Kong Politics since the Handover" (left) and EAI scholars at the Fourth Southwest Forum in Kunming
Below: EAI scholars in meetings with overseas delegates



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