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

Ryan Hartley

PhD Thesis Summary

Submitted in partial fulfilment of the degree of Doctor of Philosophy, 2015

Completed at the School of East Asian Studies, University of Sheffield (UK) & Legal and Political Studies, Graduate School of Law, Tohoku University (Japan)

Student No. B4JD1005

Submitted: June, 2015



The University Of Sheffield.



TOHOKU UNIVERSITY

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

Thesis Summary

Ryan Hartley

1.0 Introduction

1.1 Overview

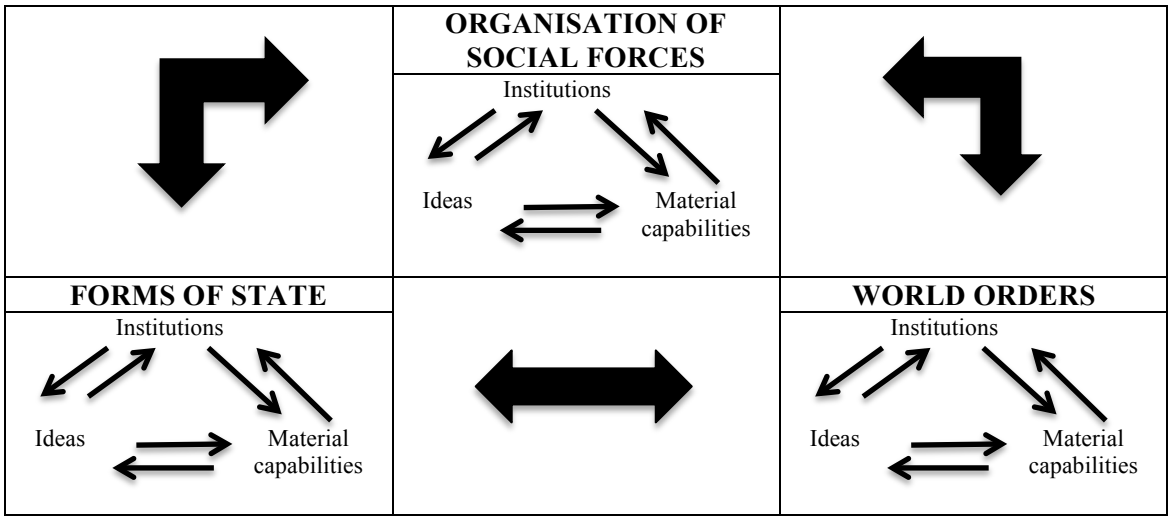
This is a study of power in Japan's international relations, specifically Japan's relations with the Greater Mekong Sub-region (GMS). It is an investigation of how Japan is utilising its politico-economic power to effect transition and transformation of the Mekong River Basin Countries (Thailand, Vietnam, Cambodia, and Laos) through aligning them with the regional concept of the GMS. It argues that Japan been working to generate a particular form of 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. Rather than 'power as domination' it is through 'power as consent generation' - a neo-Gramscian understanding of power - that Japan is achieving this This is power defined in terms of hegemony, but the notion of hegemony as conceptualised by Robert Cox which involves affecting the operation of three levels of politico-economic activity – material power, institutional power and ideational power; what Cox refers to as the 'social relations of production'.

Robert Cox's definition of hegemony is:

> "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."

The way this hegemony is achieved is through the coalescence of material power, institutional power and ideational power across three sites - world orders, forms of state and the social forces of production (see below, fig. 1). Principally focusing on the material power aspect of Cox's definition of hegemony, this study has operationalized Cox's social relations of production into methodological dimensions for application in this study (see below, fig. 2). Material power is multi-dimensional and operates both directly (relationally) and indirectly (structurally).

Fig 1. Cox's Hegemony Matrix



Source: author

Fig 2. 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	Big ideas	
	Small ideas	

Source: author

1.2 Thesis

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 (and the Asian Development Bank's) long-term, sub-regional project - the Greater Mekong Sub-region (GMS).

It will assert this by proposing that politico-economic material power rather than military power is being used by Japan, in combination with institutional and ideational productive power, to operate a micro-hegemony that 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 that is 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 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.

1.3 Argument Structure

The argument in this thesis proceeds as follows. 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. Secondly, this is rooted in Japan's historical structure. Since the Meiji Reformation, Japan's then elites set Japan on a course in contrast to the pax Brittania 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. This causes a conflict between a domestically ingrained politico-economic structure rooted in Japan's entire modern history, and the world order in which Japan operates, ie: pax America (or post- pax Americana). The constraining effect that pax Americana has on Japan is not only in treaty, normative or material ways. It is the constraining effect of Japan's working within a completely different world order's relations. As such, Japan prefers to 'think globally but act regionally', and is attempting to establish its own form of leadership in Southeast Asia. Third, that influence is expressed through the creation and management of world orders rather than within the given status quos established between competitive nation-states. That is, on any level - global, regional, sub-regional, even sub-national, Japan works to initially manufacture or bolster a preferred politico-economic structure, framework or agenda that individual nation-states are then incentivised or convinced 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. Fourthly, the praxis of this hegemony involves a 'coalition' of public and private sector actors that 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 led led through ODA. This economic power relationship between 'Japan state' and 'Japan corporate' roughly compliment each other; what Hatch and Yamamura call 'the coalition'. This 'strategic capitalism' leads to the fifth stage in the argument. Japan (from here on referring to the afore-outlined coalition of Japan 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 influence other economies by generating consensual change rather than coerced change. Finally sixth, 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.

1.4 Original Contribution

The original contribution to knowledge of this research is threefold. Firstly, the challenging of a number of settled understandings: (1) the notion of Japan as a passive state, and (2) that Southeast Asian integration is happening as a natural result of a post-Cold War liberal order and pax-Americana; it is not, it is being constructed. Secondly, the marrying together of a neo-Gramscian/Coxian approach to political-economy with a focus on regional and sub-regional levels of analysis. 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 but always inter-dependent. This means that Japan may appear passive at one level but active at another level. 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 that a major drawback of analyses drawing on hegemony is that they are often, because of their historicity, adopted an overly long-term in orientation 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 economic power, and then into a modern research methodology that utilises empirical research methods in addition to historical awareness.

2.0 Results by Case Study

2.1 The Greater Mekong Sub-region (GMS)

The thesis applied in this study is that Japanese hegemony is best viewed from the perspective of world orders. That is, rather than bilaterally, it is more appropriate to trace to construction of an order, and then how that order interacts with encompassing states and their attendant economic processes. The GMS is that constructed order. The Greater Mekong Sub-region is politico-economically known as a 'growth triangle'. There are three forms of which the GMS is the first and which has become overladen with a second - (1) spontaneous association type, eg: Hong Kong and Southern China; (2) resource management type, eg: the Mekong delta or Mekong River stakeholder negotiations; (3) government inspired economic development type, eg: the GMS. 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, and there are ten such growth triangle schemes in East and Southeast Asia. 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. Along with material power, Japan was afforded the ability to send ideational and institutional actors into Singapore's state and civil society with the intention of reforming them towards Japanese practices and philosophies. The GMS is highly unique in that: (1) it 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 continue to remain the stumbling block of greater ASEAN level integration.

The GMS is a highly complex framework (see below, fig. 3). 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). A key 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 complimented 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. The corridors is 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 open a window through which to understand the reason for local developments within each Mekong state. A third unique aspect of the GMS, and which is coupled alongside the above notion of economic corridors, 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.

Fig 3. The Greater Mekong Sub-region and Economic Corridors



Source: Ministry of Transport (Thailand)

Working in consort with the ADB, Japan has been working continuously to achieve this GMS order. The first step from Japan was 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. Through the Miyazawa Initiative and prior packages of technical assistance, Japan played a prominent role in moving Vietnam towards economic reform, Cambodia towards political reconciliation, and Laos towards basic self-sufficiency. The second step between 1994-1997 was to develop the former Indochina countries but to integrate them into ASEAN. Through political initiatives driven by economic power interventions, Japan began tying the Mekong states in ASEAN frameworks. The third step was to bring together public and private sectors. Tokyo organised working groups (in Japan) and forums (Japan's public-private coalition abroad), to facilitate public and private investment in Mekong planned infrastructure. However 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. Three shifts occurred: (1) a focusing on the the Southern Economic Corridors; (2) Disconnecting from ASEAN frameworks and re-connecting with Japan; and (3) a concern over China's role in the Mekong and an alignment with the US's 'Lower Mekong Initiative'. These shifts are telling of Japan's desire to play a leadership role in the region, in addition to the potential future tensions that will result with China.

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 hubs and spokes production chains - the 'Bangkok Plus One' model. Despite liberal assumptions of capital drifting towards the bottom and Thailand potentially being replaced by cheaper labour – a commodity in abundance in the Mekong region, this is not the case. Economic imperatives (rising wages), political crises (constant military coup d'états) and natural disasters (floods in Bangkok), do not affect Thailand remaining 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 regional '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. From Thai Prime Minister Chatichai Choonhavan's 1988 Japan suggested vision to change Indochina "from a battlefield to a market place", to partnership and coordination through Thailand's TICA (International Development Cooperation Agency) and NEDA (Neighbouring Countries Economic Development Cooperation Agency), Thailand is a useful agent to figuratively go 'cormorant fishing' with in the Mekong region.

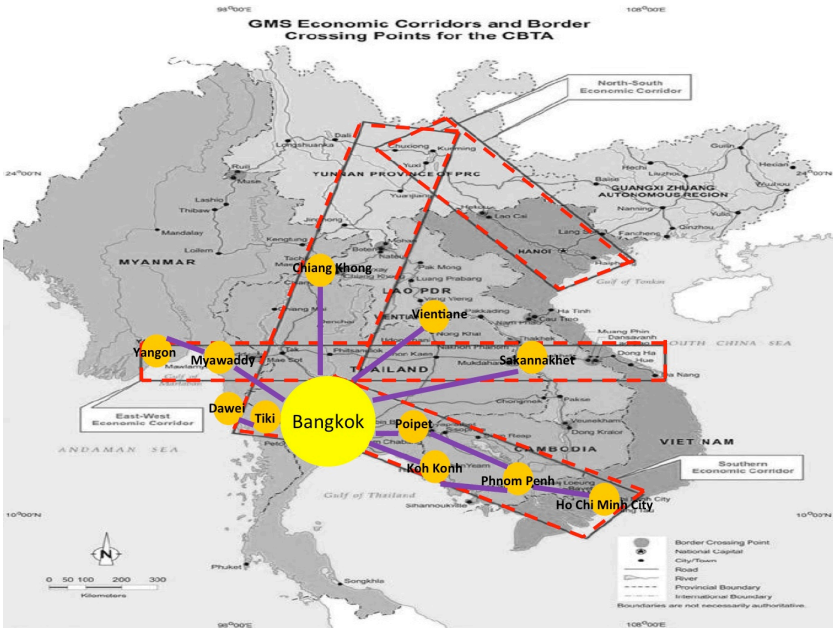
Thailand is really the model for how Japan can use its material power to penetrate a country's politico-economic institutions and work from the inside to inject new ideational adjustments and objectives. By working with Thailand's Board of Investment (BOI), the forerunner of similar institutions to develop later in the ex-Indochina states, Japan (and other investors) was able to shift Thailand's inward looking economic policy towards an export led industrial growth from the 1980s. Working within the form of state in Thailand – an authoritarian tripartite military monarchy, this was the result of Japanese planning with the Eastern Seaboard Development Plan from the late 1970s. Once Japan's endaka crisis incentivised the shift of economic focus towards foreign economies, Bangkok developed into the 'Detroit of East Asia'. Japanese automobile companies have contributed to Thailand becoming the second largest consumer of pick-up trucks in the world (behind the US), and the largest producer of cars in Southeast Asia. This, along with electronics, has led to the regionalisation of the production system 'Bangkok Plus One' (see below, fig. 4), whereby entire production chains of small, medium and assembled goods have been integrated; Japan has turned the Mekong region into one big factory centred on Bangkok.

This was achieved using material power - first in the form of ODA capital and then by the 1980s public or private debt capital. Between 1970-2013 the US dollar and Japanese yen each accounted for an average of thirty-four per cent of Thailand's external debt. Given Thailand's advanced partnership with Japan, and Thailand's more integrated status within the global economy leading to the currency boom/bust of the 1997 Asian Financial Crisis, Thailand is currently a test bed for Japan of new financial instruments. New ideational creations such as a multi-lateral currency pool, local currency bonds, and currency swap arrangements are all being developed in Thailand and versions of these ideas are being applied in other Mekong countries, e.g. in Vietnam with 'currency conversion options' for yen loans.

Finally, Bangkok is not only the epicentre of Japanese production power in the Mekong, it is also a crucial hub for another key component of the GMS plan - connectivity. The Japan funded, 2006

opened Suvarnabhumi Airport in Bangkok is now a major regional airport hub. Alongside air travel, Bangkok is a major intersection of planned East-West and South-South GMS connectivity plans. Such connectivity, if developed to connect Bangkok with the parallel point in Myanmar where the Thilawa special economic zone (SEZ) is located, Japanese production and transportation logistics would be able to cross the Mekong peninsula East to West. This would open new transport and energy routes between Southeast and South Asia, bypassing the Malacca Strait.

Fig 4. The Bangkok Plus One Production Chain overladen with GMS investment corridors



Source: author

In conclusion, Japan's hegemony is well established in Thailand and unlikely to change in the near future. Bangkok is Japan's main base of politico-economic power in the Mekong and the Japanese state and Japanese corporates are able to comfortably utilise it as a base in their sub-regional planning.

2.3 Vietnam

Japan's relations with Vietnam are often under appreciated and Vietnam is becoming central to Japan's Southeast Asian strategy in the face of a rising China. Upon the initiation of doi moi or 'renovation' Japan was called on to provide an alternative path to the Socialist path maintained upon unification. Strong US and ASEAN pressure to halt relations with Vietnam in the wake of Vietnam's invasion of Cambodia (1977) finally led to ODA being withheld for around a decade, but only with resistance from Keidanren in Tokyo. Japan's general trading companies (sogo shosha) largely remained, albeit sometimes with different names. An important case in point is Sojitz Corporation, formerly Nissho Iwai. Nissho Iwai remained in Vietnam despite the US embargo, and acted as an unofficial point of contact for the government of Japan. Later, upon the lifting of the embargo and having gained a uniquely trusted position with the Vietnamese elite, Nissho Iwai changed its name to Sojitz and was given the first private sector foreign energy project (the build operate transfer project, Phu My 3). From the trusted private sector came trusted political intervention, and with the Ishikawa Project Japanese organic intellectuals were permitted to enter the Vietnamese state and suggest reforms that included assisting to:

- draft of 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)
- 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)

Material aid power continued to combine with institutional reforms including legal reform from 1996. 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), it is possible to witness the creation of commercial codes, civil procedural codes, reform of the Supreme Peoples Court and the Supreme People's Prosecutor. Japanese political elites are literally writing the law that their companies will later need, and Vietnamese elites are letting them. 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's hegemony - expressed material, institutionally and ideationally was able to generate the necessary consent from Vietnam's Communist elite to influence the development of Vietnam's current state form, and align Vietnam slowly with regionalisation efforts that include the GMS. In addition, aiding reforms in Vietnam also eased trickle down reforms in Vietnam's 'little brother' of Laos.

Aid is leveraged to stimulate FDI into Vietnam and Japanese FDI together with South Korean FDI ranks top among Vietnam's investors. Vietnam has grown to become the fifth most attractive investment site in ASEAN for Japanese companies (behind Singapore, Malaysia, Thailand, and Indonesia). Politically, Vietnam within the Mekong region serves a balancing role *vis a vis* China. The 'Bangkok Plus One' production model and the 'China Plus One' risk management model are becoming replaced with a 'Hanoi Plus One' model with factories remaining in China but subsidiary production chains reaching down into Hanoi across the contentious north-south economic corridor. This is because as tensions rise with China, border-crossing points are made tenser and Japanese companies are seeking to hedge the risk. A developed GMS and a developed Vietnam within that GMS serves up wider regional advantages for Japanese companies. Japanese companies are not only interested in Vietnam for production. With Vietnam's population being so young and large, Japanese companies interviewed for this study are also interested in the consumer potential of Vietnam that could become a market to replace in one corporate leaders words - a "dying Japan". Aid is also being increasingly linked to regional security objectives. In August 2014 Japan announced a special ODA package to provide six, albeit used, boats for Vietnamese maritime forces.

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. Key to independence is energy, and by providing Vietnam with energy independence options, 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. Further energy independence options are being developed though nuclear power (see below). Concordant with Vietnam's industrialization goal of 2020, there is plenty more scope for Japanese cooperation to engage further with Vietnam on energy security.

Since 1972, forty-three per cent of Japan's total ODA loans to Vietnam have been directed at transportation, 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. In the southern 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, 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, 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. And 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 Zhuand province southern border towns ending in Nanming. Vietnam already has an existing railway network, a legacy of French colonialism that 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', in addition to an in the pipeline plan to connect north with south via a Hanoi Ho Chi minh City bullet train.

Vietnam's former 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 per cent of total exports for 1990-2013, with China in third place with ten per cent. Corruption is a major issue in Vietnam and especially in customs bureaus, stumbling Japan's GMS trade regime. 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)". The solution has been a typically technological one – 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 machine, a Japanese funded and built machine – the NACCS (Nippon Automated Cargo and Port Consolidation System) or in Vietnam's case the VNACCS. This is a major concession to have achieved in the service of intra-regional trade - the automation of Vietnam's trade borders.

In conclusion, Japan's hegemony is not consolidated in Vietnam but is on steady ground. ODA has begun to convert to FDI; institutional penetration is strong and has been since the middle of the 1980s; and Vietnam seems willing to accept Japan's ideational blueprint for the Mekong, for the role of ASEAN, and the importance of Japan-centric relations with the both being maintained.

2.4 Cambodia

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 Japan. 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. Japan in Cambodia during the first half of the twentieth century shares many of the characteristics of its neighbouring states, 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. Following independence and under a new pax Americana world order, Cambodia was consumed by competing socio-political forces attempting to form a hegemonic bloc; finally resulting in a genocide that attempted to erase civil society altogether. Japan positioned itself as progenitor of a liberal peace project and through quiet diplomacy attempted to guide Cambodia towards a liberal world order. Four such moments can be identified here: in 1982 (the Son Samm visit to Tokyo), 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), 1993 (the UNTAC process), and 1997 (the conflict between the First Prime Minister and Second Prime Minister). Japan has taken on a large responsibility for

reforming Cambodia, something that one senior Japanese business interviewee admitted is beginning to be regarded in Tokyo as an "albatross around Japan's neck".

Japan is the top bilateral donor in Cambodia. World Bank figures reveal that between 1993-2012, Japan has disbursed almost $2.1 trillion, more than double the US's $970 million. Together with Japan's diplomatic relations, this material power affords Japan a great deal of institutional influence. For aiding the transition of Japanese companies to invest in Cambodia, there is the standard intelligence gathering existence of JETRO-Cambodia but there is also, as in Vietnam, the 2012 creation of a 'Japan Desk' at the Cambodia Investment Board, with Japan being the only country to possess one. And to aid in the transmission between ODA and Cambodian policy, JICA maintains officials within key government ministries (the floor above the minister), in addition to guiding Japan trained Cambodian's into key positions. As a senior Japanese advocacy figure confided:

> "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."

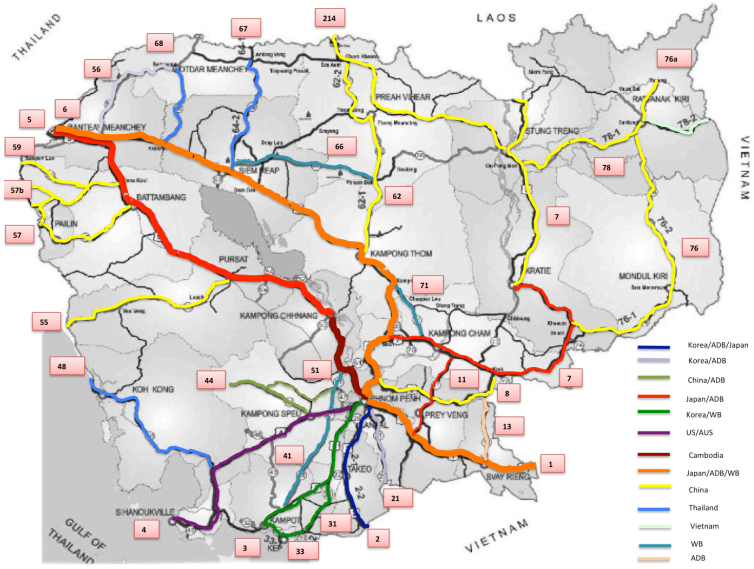
A majority of this ODA is being spent on infrastructure, and there is a strong desire to create the main transport artery East-West Economic Corridor (EWEC) across Cambodia, with highway 1 connecting Phnom Penh with Vietnam's HCMC, and highways 5 and 6 connecting Phnom Penh with Bangkok. There are clear geo-political rivalries at play among Cambodia's foreign road builders. While Japan focuses on East-West connectivity within the southern economic corridor, China is focusing on North-South connectivity through Laos. The vision of this infrastructure is enormous, and Japan's building plans are not guided by project level or even country level objectives. They are guided by a vision of a Cambodia within a Mekong region framework that itself is plugged into an ASEAN highway network and an inter-regional Asian Highway plan (see below, fig. 5-6).

Fig 5. Asian Highway and ASEAN Highways in the Mekong Region



Source: JICA

Fig 6. Cambodia's Road Network by Donor



Source: author (compiled from various sources)

All of this aid and investment gives Japanese officials an enormous consent generating ability from the inside of Cambodia's institutions, enabling them to shape the economic ideational environment to their favour. Already mentioned is the Japan Desk within the Cambodia Investment Board, and the existence of JICA and other Japan state officials inside Cambodia's ministries. Since 2005, motivated by a push 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). However these efforts are less 'support' and more accurately refer to 'change', and 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 Council for the Development of Cambodia (CDC) - the body in Cambodia that grants Qualified Investment Projects - to amend it. Furthermore, within Japan's 2007 International Investment Treaty (IIT) with Cambodia there contains a special clause. Article 27 of Japan's IIT with Cambodia creates an extra channel of regular cooperation, allowing for the wider access to multiple Cambodian ministry and diplomatic officials of Japanese investors. Not found in any other nation's IIT with Cambodia and part of an agreement far longer and more detailed than other nation's investment treaties (Japan's IIT runs to twenty seven articles compared to the next highest, Singapore, which contains only sixteen articles), article 27 creates a mechanism called "The Committee". The Committee - a collective of Cambodian officials, Japan embassy officials and Japanese investors - exists to judge which articles of the IIT can be excluded at will. The IIT stipulates that Japanese companies in Cambodia should be judicially treated equally to native business, however if the reverse takes place - a Cambodian interested in a "non-conforming sector" of Japanese investment, there exists the right to use special provisions and call on the political influence of "The Committee" to adjudicate. In this way, Japan Inc. has been able to convince Cambodia's elites to change rules to benefit Japanese investors. This is hegemony laid bare.

Once investment has been gleaned, Japanese investors are able to enter a Special Economic Zone (SEZ). The largest park is Phnom Penh SEZ - operated by the Japanese owned Phnom Penh Special Economic Zone Co. Ltd. and managed by Uematsu Hiroshi. It is where parts giant Minebea located to in 2010. Onsite is one of the much vaunted institutions by all Mekong leaders – a 'one stop service centres' (OSSC). It is these centres that are where the corruption can be handled out of view. An SEZ acts as a middleman between international investor, and national government and national labour supply, with Cambodian ministry representatives each located within the park. The OSSC is the focal

point of that intermediary mechanism, handling all paperwork and mediation between companies (in Phnom Penh SEZ, these are 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 ministry bribes with the companies paying the invoices created by the OSSC. In this way Japanese companies are able to work within an openly corrupt Cambodian state but outsource any responsibility to the SEZ institution.

In conclusion, Japan's hegemony with Cambodia presents a fairly mixed picture. A picture more likely caused by the overtly political intervention that has been attempted by the Japanese state. Japan's usual approach to economic power is make the politics appear invisible but with Cambodia, Japan has taken on a crusading mission to 'heal' Cambodia. Despite ODA being extremely high, technical assistance penetrating all parts of Cambodia's state institutions, and Japan's vision for the GMS accepted by the Hun Sen regime, the lack of genuine political reform coupled with a general unease from Japan's corporate sector about becoming involved in Cambodia, indicates that Japan's attempts to overtly politicise its economic power may be resulting in less influence rather than more.

2.5 Laos

Laos is not fully unified nation-state in modern terms. The Communist regime has a tenuous hold on the state-society complex and is highly dependent on world orders to support itself. In recent years this has developed into an economic self-perception of being the 'battery of Southeast Asia' and rushing headlong into hydropower development. This is to serve the objectives of the GMS and sub-regional integration. Crucial in this regard is Thailand, which is the main investor in Laos, and by proxy Japan also works through Thai economic actors to intercede in Laos. Japan has a long-term historical role in Laos, having developed the powerful Nam Ngum Dam from 1966 (operational in 1971) which would become effectively the single source of power for the entire capital. The Communist takeover of government in 1975 led to a pulling back of support from Japan, but even before the end of the Cold Japan re-entered with ODA programs in 1986 to immediately become the largest donor and infrastructure investor. Japan's economic influence in Laos is not as open as with other Mekong countries due to a heavy Chinese presence in the north. As a result, Japan's material power since re-entering has largely focused upon Laos's southern regions, especially Savannakhet province, avoiding China's northern presence in Oudomxay Province.

In ODA terms, Japan has been singlehandedly funding a large proportion of the Laos government's budget. The most recent 2011 OECD report found that since 2005, aid to Laos has represented ten per cent of GNI and eighty-six per cent of government expenses. For the prior period of 1994-2001, Syviengxay Oraboune calculates that half of government expenditure and eighty per cent of public investment projects are financed by ODA to Laos. Syviengxay calculates that for the period 2000-2008 China's ODA accounted for an average of seven to eight per cent of ODA into Laos, compared to the fifty per cent f bilateral ODA accounted for by Japan for the same period. Despite OECD rules against lending to least developed countries (LDCs) in the post-Cold War period Laos has not received aid loans from any other bilateral donor except for Japan, and at a later date and at lower levels, Korea. This ability to leverage higher volumes of capital than the smaller amounts involved in grant aid, gives Japan's ODA a much greater relational power impact. This operates bilaterally, or as mentioned, in 'partnership' with Thailand. Thailand's status in Japan's 'aid escalator' has shifted from 'recipient' to 'emerging donor' to 'partner' status and through Thailand TICA (International Development Cooperation Agency) and NEDA (Neighbouring Countries Economic Development Cooperation Agency) Japan can intervene in Laos by proxy. This means that while the justification for providing ODA to Thailand is less persuasive now in domestic Japan terms, assistance to a third party country is possible. This has the effect of neutralising some of the political nature of aid to Laos if it comes from a local Mekong country. It also means that Japan is able to disguise capital investments in controversial dam building in Laos.

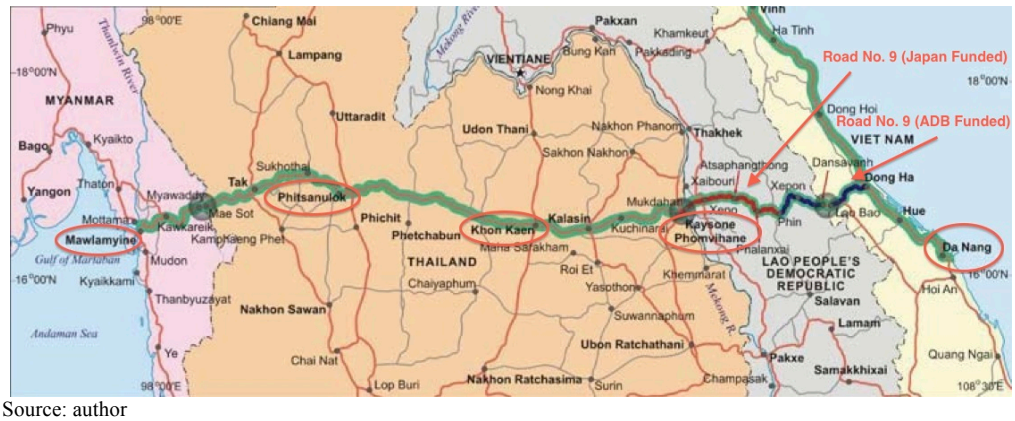
Japan's ODA also interacts with institutional power and attempts to reform Laos's state bodies away from their ties with China and Vietnam. The creation of 'The National Roundtable Process' (NRP)

which coordinates between the Laos government and all foreign donors is within the Department of International Cooperation (DIC) which is within the powerful Ministry of Planning and Industry (MPI). The MPI has historically a body penetrated by Chinese and Vietnamese influence, and attempting to introduce reforms through the National Roundtable Process indicates an attempt to shift Laos's institutions towards being more easily accessible to alternate foreign actors, including Japan. 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. This has occurred with 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 an institutional entry point for large foreign donors like Japan to influence how public spending is prioritised.

Fitting Laos into the GMS means developing energy, specifically hydropower. According to the ADB, Laos has an estimated 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. 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, was a Japan funded and Japan constructed dam and remained for decades the main power source in Laos. Despite major contributors to dam building being China and Thailand, Japan's technological prowess is shown in size of dam, demonstrated in 2005 with the construction of the 1088MW Nam Theun 2 dam; at the time the largest foreign investment project in Southeast Asia. Of Laos's currently 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.

Connectivity is a key ideational concept of the GMS and this means turning the Laos 'hermit country' from a land-locked into a land-linked country (see below, fig. 7). However Japan's interest in this is regionally oriented, nationally in the interests of Laos. Therefore, it is 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). This primarily means investing in National Road 9, the only concrete paved main road in Laos. 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 resulted in the Mekong spanning Pakse Bridge. Informerly known locally as the 'Lao-Nippon Bridge', it appears in commemorative stamps and on the 10,000 kip bank note. The presence of competition with China becomes important here, as Mekong region 'North-South' connectivity is not the primary concern. This also demonstrates how hegemony does not need to operate only at the national level and can operate sub-nationally and transnationally just as effectively.

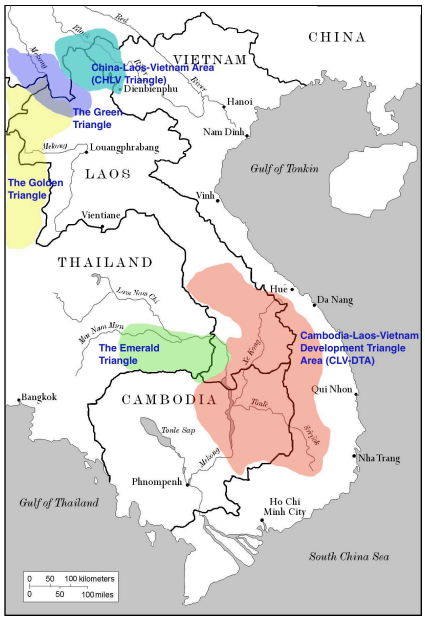
Fig 7. East-West Corridor Transport Connectivity
Mawlamline (Myanmar) - Phitsanulok (Thailand) - Khon Kaen (Thailand) - Savannakhet (Laos) - Danang (Vietnam)



Source: author

In production and trade terms there is a particular interest by Japanese companies (and Japanese ODA) in Laos's southern regions, especially the provinces of Savannakhet (key border towns are Savannaket 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) (see below, fig. 8). Such a southern strategy in Laos is not only topographically useful (the south is flatter than the mountainous north) but it also enables transport lines to be accessed East into Vietnam's Da Nang and across the East-West corridor into Myanmar's northern port area of Mawlamline. A southern focus also suits Japan's economic interests due to the region wide Thailand Plus One supply chain policy in place that is centred on Bangkok but could extend a 'spoke' into the 2003 established Savan-Seno SEZ; an SEZ already populated by many Japanese companies and connected by the Japan funded Road 9 and bridged by the Japan funded Second Lao-Thai Friendship Bridge. In structural terms Japan's southern focus is also driven by a sub-regional micro concept - the 'development triangle'; in Laos's case the Cambodia-Laos-Vietnam Development Triangle Area (CLV-DTA). Japan's interest in this growth triangle is the attempt to bind the Mekong states together into inter-dependent channels of trade-based connectivity, and was a pet project of Koizumi Junichiro's from 2003/2004; a pet project that has seen renewed interest from the current Prime Minster Abe Shinzo.

Fig 8. Laos and the Five Trade Triangles



Source: author

In conclusion, Japan's hegemony in Laos is a picture of two halves, with the trend being for Japan's economic power to be focused sub-nationally in Laos's southern provinces. This is due not only to a heavy Chinese presence in Northern Laos but also to Japan's prioritisation of the East-West Economic Corridor, that cuts through those southern provinces. Therefore, to recognise Japan's hegemony in Laos is to recognise its sub-national operation, and a sub-national operation that is regionally oriented and transnationally connective.

3.0 Conclusion

This dissertation concludes that Japan, constrained by both its US partner and regional competition with rising economic neighbours, has since the mid-1980s but especially from the post-Cold War period, been engaging in a unique form of regional integration effort and leadership role demonstrator - sub-regionalism. Through the prism of a neo-Gramscian approach to political-economy and a Robert Cox defined notion of hegemony, whereby actors influence other actors in international affairs by generating the consent for world orders, it has been discerned that Japan has constructed a sub-regional order - the Greater Mekong Sub-region - and is in the process of materially, ideationally and institutionally aligning each of the MRBC countries national policies towards their integration into that order. The process is more advanced in some MRBCs than others, in addition to each MRBC presenting unique stumbling blocks for Japan's public-private coalition power. Nevertheless, the train tracks have been laid, and the direction seems agreeable to all. In this overall sense, Japan's hegemony has been achieved.

Extraneous claims of a rising China assuming regional leadership should therefore be tempered by the acknowledgement that power is both historically rooted and multi-dimensional. Commentators who react to only recent increases in material power expressions from China, such as ODA or FDI (the former of which Japan remains number one in most countries studied), ignore the need to also consider institutional and ideational power. Economics is thin without a socio-political understanding, and a consideration of power properly understood must acknowledge the high degree of historic relations that Japan has with the Mekong states and other states in Southeast Asia. These historic relations, often fairly subtle and difficult to detect, have in many instances laid the institutional and ideational foundations of a socio-politically understood economics. A 'rising China' is going to need to travel a long way before the full spectrum of Japanese power can be adequately challenged. As such, this study also hopefully sheds a different light on Japan in international affairs. A light that shows an active, strategic, and long term planning state that is worthy of deep and sustained study because there are some very significant changes developing in East Asia and the best place to look first, is the Mekong region.