

The Greater Mekong Sub-Region at 20: Japan's Role in the Region and Its Implications for Regional Integration

Author: Gavin Cochrane
Supervisor: Magnus Andersson



Abstract

In 2012, the Greater Mekong Sub-region (GMS), an initiative launched by the Asian Development Bank (ADB) to promote regional integration and development between six mainland Southeast Asian countries, will reach its twentieth anniversary. Throughout the past twenty years, the GMS has been considered as highly successful, in comparison with other regional initiatives, in improving connectivity, competitiveness and development, with a particular emphasis on infrastructural development, which has facilitated trade between its member countries. Part of its success has been down to the capacity of the ADB and other external actors, such as Japan, in funding its projects. Therefore it has been the aim of this research to understand how and why Japan has funded these projects, and through using a multi-disciplinary framework, explore the various interests involved.

Keywords: Greater Mekong Sub-region, Japan, Vietnam, infrastructure, integration, trade

Acknowledgements

First of all I would like to thank my supervisor, Magnus Andersson, for providing excellent advice, support and guidance throughout this research project, as well as coordinating the fieldwork in Hanoi, which was a crucial element to the research.

I would also like to extend my gratitude to all the informants in the research, whether face to face or via email, and the researchers at IPSARD and CIEM who helped to facilitate meetings and interviews.

In formulating my research proposal, I would like to thank all the staff at the Centre for East and Southeast Asian Studies in Lund, especially the South East Asian Track teachers, and would also like to thank Professor Ong and Eric Ansah at Kebangsaan University, Malaysia, for providing some useful insights.

Finally, I would like to thank my parents for their support and proof-reading, as well as all my fellow course mates at Lund that helped me over the past two years.

Lund University,

23rd May 2012

Gavin Cochrane

Table of Contents

<u>CHAPTER 1 - INTRODUCTION</u>	1
Research Problem	1
Aims and Objectives of the Research	2
Previous Research	2
Preliminary Findings	3
Research Questions	3
Disposition of the Thesis	3
<u>CHAPTER 2 – METHODOLOGY</u>	4
Design of the Study	4
Data Sources and Methods	5
Limitations of Sources	7
Ethical Considerations	8
<u>CHAPTER 3 – THEORETICAL FRAMEWORK</u>	8
<u>CHAPTER 4 – CONTEXTUAL FRAMEWORK</u>	14
The GMS in a regional context	14
Japan as a leading donor	18
<u>CHAPTER 5 – QUANTITATIVE ANALYSIS</u>	21
<u>CHAPTER 6 – QUALITATIVE ANALYSIS</u>	33
Commercial Interests	33
Developmental Interests	42
Geopolitical Interests	47
<u>CHAPTER 7 – CONCLUSION</u>	50
<u>REFERENCES</u>	53

List of Figures

- 3.1 - Tensions between the motivations of donor countries
- 3.2 - Research Framework – Deductive Approach
- 4.1 - Economic Corridors within the Greater Mekong Sub-region
- 4.2 - Supranational institutions and schemes based on type of integration and geographical level
- 5.1 - Japan Special Fund in the GMS by sector
- 5.2 - Japan Special Fund Technical Assistance grants received from 1992-2009
- 5.3 - Total ODA gross disbursements from Japan
- 5.4 - Share of ODA received from Japan
- 5.5 - Total Population, 1992-2009
- 5.6 - Total ODA per capita from Japan
- 5.7 - Small Donor ODA per capita
- 5.8 - Intraregional trade: a growing share of GMS trade
- 5.9 - Total Exports from Japan
- 5.10 - Total Imports to Japan
- 5.11 - Ratio of Exports from Japan to GDP
- 5.12 - Ratio of Imports to Japan to GDP
- 5.13 - Correlation matrix for the GMS
- 5.14 - Correlation matrix for Cambodia
- 5.15 - Correlation matrix for Lao PDR
- 5.16 - Correlation matrix for Thailand
- 5.17 - Correlation matrix for Vietnam
- 6.1 - FDI Inflows into GMS Countries by Source Country, 2000-2008
- 6.2 - Total FDI inflows into Vietnam and Thailand, 1992-2010
- 6.3 - Japan's FDI location by region, Vietnam
- 6.4 - Location Map of JICA's On-going Projects in Vietnam
- 6.5 - Wage Overheads in Emerging Asia
- 6.6 - Major Export Goods from Vietnam to Japan
- 6.7 - Composition of Japanese ODA to Vietnam, 1992-2010

List of Abbreviations

ACMECS - Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy

ADB – Asian Development Bank

AFTA – ASEAN Free Trade Area

APEC – Asia Pacific Economic Cooperation

ASEAN – Association of South East Asian Nations

CIEM – Central Institute for Economic Management

EAS – East Asian Summit

EU – European Union

EWEC – East West Economic Corridor

FDI – Foreign Direct Investment

GDP – Gross Domestic Product

GMS – Greater Mekong Subregion

IAI – Initiative for ASEAN Integration

IMF – International Monetary Fund

IPSARD - Institute of Policy and Strategy for Agricultural and Rural Development

JBIC – Japan Bank for International Cooperation

JETRO – Japan External Trade Organisation

JICA – Japan International Cooperation Agency

JSF – Japan Special Fund

Lao PDR – Lao People’s Democratic Republic

NSEC – North South Economic Corridor

ODA – Official Development Assistance

OECD – Organisation for Economic Cooperation and Development

UN – United Nations

UNCOMTRADE – United Nations Commodity Trade

VCF – Vietnam Challenge Fund

VDF – Vietnam Development Forum

WTO – World Trade Organisation

CHAPTER 1 – Introduction

Research Problem

Regional integration has steadily progressed in Asia over recent decades, with the establishment of the Association of South East Asian Nations (ASEAN), the Asia-Pacific Economic Cooperation (APEC) forum and other institutions contributing to a burgeoning regional economic community. Since the end of the cold war, the inclusion of former socialist-bloc countries into this economic community has given Asian countries greater presence in the global arena and accelerated regional economic cooperation. However, within Asia a new form of informal integration, known as sub-regionalism, has become more prolific in recent years. This phenomenon is a move away from more traditional regionalism, experienced in Europe and North America, and within academia is still relatively underdeveloped. The Greater Mekong Sub-region (GMS) initiative was launched by the Asian Development Bank (ADB) in 1992 in order to promote regional integration and development of the area through encouraging economic relations in nine different sectors, namely: transport infrastructure, agriculture, energy, environment, investment, human resource development, telecommunications, tourism, and transport and trade facilitation. Prior to its establishment most countries within the region, with the exception of Thailand, remained fairly closed to the world markets, as a result of state-led economic planning and decades of inner conflict, which consequently led to low levels of economic development. Nevertheless, since its foundation, the GMS programme has implemented several projects across the region, which has had a direct impact on the regional integration of its member countries. As the GMS agenda is focussed on market-based integration, where the emphasis is to provide transnational public goods rather than the establishment of institutional agreements and frameworks, its main focus has been the provision of cross-border infrastructure. These cross-border infrastructure projects have been instrumental in establishing successful regional integration and have set the GMS apart from other institutions in the region. A major advantage of the GMS, over other institutions such as ASEAN, is the capacity for funding such projects, and along with the ADB, several external actors and institutions have contributed funds to their projects in the region. One of the most significant financiers of GMS projects has been Japan, as it has recognised the need for the Mekong Basin area's development as an essential element of future East Asian regional integration.

Aims/Objectives of the research

The purpose of this research is to contribute to a better understanding of regional integration in developing countries by assessing the factors which have driven the development of the GMS programme. In addition to this, the potential role of external states in the development of regional integration will be explored by analysing the unique relationship between Japan and the countries involved in the GMS. It is hoped that by first highlighting the economic relationships and trends between Japan and the GMS countries, followed by a closer inspection of Japanese interests in Vietnam, the driving forces underpinning the GMS can be better understood.

Previous research

The political economy of the Mekong Basin countries has received attention from many scholars, over the last few decades, with numerous studies being conducted on the processes of regional integration. However, commonly within this field studies are rooted in a single discipline, such as economics/economic geography or in international relations theory. In addition to this, the majority of studies with a specific focus on the GMS are produced by the ADB, through either working papers or collected in the *Journal of GMS Development Studies* (2004-2008). These studies have provided a valuable contribution to a better understanding of the various impacts of infrastructure and other cooperative projects on the regional integration process and their consequences for socio-economic development (Fujimura & Edmond 2008, Strutt & Lim 2005, Bafoil & Lin 2010, Menon 2005).

It is also beneficial to consider research which frames the GMS within wider debates on regionalism and regional integration in South East Asia. In contrast to the literature previously discussed, this research tends to be more multi-disciplinary due to the nature of regionalism as a multi-faceted process drawing on different academic fields. The description and conceptualisation of external actors within regionalism research is relatively underdeveloped, which Hettne (2005) notes 'is somewhat surprising, given the considerable attention which external actors [...] receive in the study of national and local transformation processes' (2006:555). In understanding the driving forces behind the GMS, it is essential that this gap in contemporary debate on regionalism is addressed considering the GMS is 'a programme launched 'from above' by an external actor [...] unlike ASEAN, which is a result of endogenous forces, that is, efforts by individual states acting as a group' (Lindberg 2007:186).

Preliminary Findings & Research Questions

In assessing previous research, the following preliminary findings concerning the research problem have been found and will form the basis of the research questions:

- The GMS has been considered as advantageous over other regional groupings in South East Asia due to its structure and capacity to fund projects
- Japan has played a key role, both through Official Development Assistance (ODA) and in collaboration with the Asian Development Bank, in funding projects undertaken in the GMS
- Infrastructural development has been a core component in the integration projects funded by Japan within the GMS
- Since the establishment of the GMS, there has been a shift in Japanese interests, both economically and strategically, from Thailand to Vietnam

Research Question: How and why have Japan interests been a driving force in supporting regional integration projects undertaken by the Greater Mekong Sub-region programme?

Sub Questions:

- To what extent can the GMS be considered as advantageous compared to other regional integration projects?
- What is the relationship between Japanese ODA and trade with the economies of the Greater Mekong Sub-region?
- Why has there been a shift in interests from Thailand to Vietnam? How has this impacted on regional integration in the GMS?

Disposition of the thesis

The remainder of this research will be structured into six chapters. Firstly the methodological considerations of the research will be outlined in the next chapter. The following two chapters will deal specifically with the theoretical and contextual frameworks used in the thesis, elaborating on the theoretical perspectives from economics, international relations and international political economy as well as the historical context of regionalism in the area and Japan's role as an aid donor. As this research is using a mixed methods approach the analysis chapters will be split into two parts, namely a quantitative analysis and a qualitative analysis. The quantitative analysis will make use of descriptive statistics to

highlight the relationships between Japan and the GMS countries and aims to emphasize the significance of Vietnam as an aid recipient and trade partner. The economic theoretical perspectives outlined in the prior chapters will serve to underpin this quantitative analysis. The following qualitative analysis will explore this relationship between Japan and Vietnam, highlighted in the quantitative analysis, by providing a more in-depth discussion on how this relationship has evolved and how integration projects are being facilitated in Vietnam with the help of Japan. Finally a conclusive chapter will attempt to evaluate how an external actor can influence regional integration and how the relationship between Vietnam and Japan has impacted upon the integration projects undertaken by the GMS.

CHAPTER 2 - Methodology

Design of Study

The point of departure for this research is in considering the fact that a concept such as regionalism is a multi-disciplinary phenomenon, which can be approached from various different methodological frameworks. Most research rooted in economic theory tends to make use of quantitative data to highlight and explore relationships between variables, whereas IR/IPE tends to make more use of qualitative data. Therefore, for this research design, it is essential that a mixed methods approach is used to encapsulate all the theoretical perspectives underpinning the research problem. A multi-strategy research ‘may provide a better understanding of a phenomenon than if just one method had been used’ and in addition to using quantitative data in order to explain the variables in a relationship, qualitative research may be useful to facilitate the interpretation of the relationship between quantitative variables (Bryman 2001:460-464).

As the objective of this research is to discover both how and why Japan has been a significant actor in the construction and development of the GMS, the research design must be both descriptive and exploratory in nature. A solid exploration of why Japan has been significant in the GMS must be underpinned by a comprehensive description of how it has interacted with the region. Therefore, the first section of the thesis investigates the relationship between Japan and the GMS economies using quantitative methodology, aiming to describe and analyse the patterns and trends from the empirical data sourced. The use of descriptive statistics and secondary data analysis should complement the contextual framework in providing a comprehensive description of the situation. The second section of the thesis draws upon conclusions made in the first section by examining the specific factors

affecting the relationship between Japan and Vietnam and how their relationship will affect regional integration projects. This exploratory section of the research will therefore use a more qualitative approach. Through using a multi-disciplinary framework, this research allows for both methodological and theoretical triangulation, which is defined as ‘a research strategy that involves using several methods to reveal multiple aspects of a single empirical reality’ (Miller & Fox 2010:35). Methodologically this is achieved through employing both qualitative and quantitative methods, as well as a varied selection of data. Theoretically, triangulation is also achieved by using IR/IPE and economic theories. A more in-depth discussion of these theoretical perspectives can be found in the following chapter.

Data sources and Methods

As previously mentioned, the data used in this research consists of a combination of both qualitative and quantitative data, which will entail using both primary and secondary data. The quantitative data in the research involves extensive quantitative data collection on trade, official development assistance and funding within the GMS from Japan. Data will be collated from a variety of international online databases, such as UNCOMTRADE, OECD and the IMF statistics websites, and also from previous research and specialist archives, such as the JETRO library in Hanoi. In order to process this data and present findings for analysis, statistical software packages such as Microsoft Excel and SPSS 20 will be used. Microsoft Excel will mainly be used to create graphical representations of selected data, to highlight trends and patterns between different variables and help describe the relationship between Japan and the GMS. In order to build upon these descriptive statistics, SPSS will be used to construct correlation matrices for each country pairing investigated in the research. Correlations are a useful form of analysis for exploratory research as they are able to indicate both the strength and the direction of the relationship between a set of variables (Bryman & Cramer 2001:169). As it is the strength and direction of the relationship between aid and trade flows which is of interest, correlations may be a more suitable form of analysis for this research, than other statistical tests such as regressions or causality tests.

Data will be gathered from 1992 until the present day, in order to examine the relationships since the establishment of the GMS. The data collection will involve 4 of the GMS countries, namely Thailand, Lao PDR, Cambodia & Vietnam and by limiting the scope of the research to a small number of countries within the Mekong Basin, it allows for an in-depth understanding of each case, but by choosing four cases that show different perspectives,

it is hoped that the generalizations may be drawn. The experiences of each country can help to identify and explain the research problem presented since the countries chosen will allow for purposeful maximal sampling, as although they share many common factors, each country is at different levels of regional integration and therefore can be used to highlight different perspectives (Creswell 2007:75). Within the research Myanmar and China will be excluded from the analysis as data for several reasons. For Myanmar, the availability of trade and aid statistics are extremely low, and it is assumed that the political regime in the country, and subsequent trade embargo will mean that any the ability to look at the relationship between aid and trade will be skewed. China will also be excluded from the analysis as only two provinces of the country are members of the GMS and, again, trade and aid data for specific provinces is also difficult to obtain. The historical relationship between China and Japan is also likely to heavily influence their economic relationship. Data from other countries, such as other major donors and geographical neighbours will be used occasionally to contextualize the data gathered in the GMS and highlight some significant factors. For example, in order to incorporate the neo-realist theory, data on small donor countries will also be collected, as it should serve as a good proxy for the need and perceived effectiveness of aid within each recipient country.

The qualitative data consists of a series of semi-structured interviews and e-interviews, conducted during a 3 week fieldwork period in Hanoi, Vietnam. The interviews have been conducted with various representatives in different positions at research institutes, ministries, universities and domestic/regional organisations. The informants involved were varied in that some provided a good overview of the issues relating to the research problem whereas others had very specific knowledge of certain aspects of the research. Therefore, there was a need to conducted semi-structured interviews as this technique can allow the researcher to ensure that the issues they find significant are covered, but also provide the informants with opportunities to bring up their own ideas and opinions (Willis 2006:145) . The geographical scope of the thesis has meant that it was difficult to meet some informants face-to-face and instead an e-interview was used. Although e-interview has been criticized as there is a lack of tacit signs and spontaneous responses due to the physical separation between the interviewer and the interviewee, it has the advantages of asynchronicity as it ‘enables interviewees to reflect and then supply a considered reply’ as well as breaking down the geographical, financial and time constraints involved with face-to-face interviews (Bampton & Cowton 2002).

The selection of the interviewees was decided using a snowball effect, which is a form of convenience sampling whereby the researcher establishes a small group of contacts on the research topic and then uses these links to secure other contacts (Bryman 2001:100). In addition to this, researchers from IPSARD were very helpful in providing contact information for further informants. Apart from the data collected from the interviews, previous literary studies, official documents, articles, newspapers and declarations and statements by key actors have also contributed greatly to the qualitative data in this research. The qualitative data has therefore been used to complement the trends and relationships highlighted by the quantitative data collected and helps to further explain the factors involved in these relationships.

Limitations of sources

Through using a mixed methods approach it is hoped that some of the limitations associated with both qualitative and quantitative methods can be minimized. Nevertheless, there are still a few limitations with the sources of data that should be mentioned at the outset of this research. One issue which is continually present in any research focussed on Lao PDR, Cambodia and to some extent Vietnam is the question of reliability and validity of data sources. The majority of statistics have been obtained from large international databases, such as the UN, IMF and the OECD. This has been due to the lack of reliable data reporting from domestic statistics agencies and gaps in the data from the earlier years included in this study. With aid, trade and investment flows, the data has often come from the donor countries, such as Japan. However, where possible the author has tried to cross-check this data with official statistics from national authorities.

Another limitation of the data sources considers the issues involved with relying on interviews as a source of data. When interviewing representatives from large organisations on macro issues, such as this research problem, the author must make the assumption that opinions given by interviewees correlate with the institution they work for. In addition to this the sampling method of snowballing to secure interviews has its disadvantages as it does not provide a truly random sample and 'it is very unlikely that the sample will be representative of the population' (Bryman 2001: 102). However, by not relying on either secondary statistical analysis or interview sources solely to address the research questions, it is hoped that the limitations outlined here can be reduced.

Ethical Considerations

Although the content of this research is not generally considered a sensitive subject, relative to other issues such as human rights or household level studies, it is important to consider the ethical implications of this research. Firstly, the author's role as an *etic* researcher, whereby the research is conducted by an outsider to the geographical location of study, calls for cultural sensitivity and the need to make every effort to be as objective as possible. Secondly the ethical considerations involved with conducting interviews must be outlined as the author has strived to conduct this research in accordance with the ethical guidelines as described by the Swedish Research Council. All informants were briefed on the nature of the research, asked permission to use any of the information provided as data within the research, and informed on how their information would contribute to the research.

CHAPTER 3 - Theoretical Framework

Regionalism, as an academic concept, is a complex and much contested topic and different disciplines, such as International Relations, International Economics and International Political Economy, have all attempted to define and understand this phenomena. However, due to differences in ontological standpoints, this has often resulted in differing opinions and outcomes. A comprehensive definition of regionalism could then be given as 'the structures, processes and arrangements that are working towards greater coherence within a specific international region in terms of economic, political, security, socio-cultural and other kinds of linkages' (Dent 2008:7). Therefore, when considering a suitable theoretical framework to understand the processes of regionalism in the Greater Mekong Sub-region, it seems that a multi-disciplinary approach offers a viable solution to this problem. By considering different theoretical perspectives from different disciplines that have tried to explain regionalism, it is hoped that the motivations behind states involved in such processes will be better understood. Therefore, this research will utilise theoretical perspectives on developmental regionalism, neo-realism and aid for trade theories, from the fields of IPE, International Relations and Economics respectively.

Firstly, the concept of integration itself needs to be addressed, as it is central to debates on regionalism. Some scholars argue that the term 'regional integration' is a dubious and confusing term as it can refer to economic, political and/or social elements of integration, which can each be broken down further into sub-categories (Nye 1971, Hettne 2005). It is therefore argued that 'regional cooperation' is a more appropriate terminology. However,

others have argued that a clear distinction between cooperation and integration exists, whereby cooperation can be seen as agreements and policies to increase connectivity between countries, which are often qualitative in nature, whereas integration can be used to describe the physical removal of trade barriers and other quantifiable actions designed to facilitate interdependence (Balassa 1961). Within the context of this research, the term 'regional integration' will be used to denote the trade-related aspects of economic integration, whether through the provision of physical infrastructure or through policies aimed at trade liberalisation.

Theories on regionalism, within the discipline of International Political Economy, have gone through a process of rapid change and in order to understand how contemporary theoretical perspectives can contribute to a better understanding of regional integration in the GMS, it is important to first briefly outline the development of regionalism as an academic field. Classical regionalism theories, or 'old' regionalism, arose during the 1950s and 1960s, with its roots based on the European experience of integration, under the European Union. Scholars such as Viner (1950), Balassa (1961) and Lipsey (1970) focussed on how the processes of regionalism can progress in a linear fashion from trade liberalisation and free trade agreements, through common markets to monetary and economic unions (Dent 2008:9). Commonly, classical theories were focussed mainly on the economic dimensions of regionalism, and rarely incorporated perspectives from other academic disciplines. Nevertheless, due to significant changes in the international system at the end of the Cold War, the relevance of classical regionalism theories became less applicable as different forms of regionalism developed across the world, which contrasted sharply with the European experience. In the last two decades classical regionalism theories have gradually been replaced by new regionalism theories, which have attempted to expand ideas on regionalism, by incorporating social and political factors, in addition to the economic dimensions of integration. This move towards a multi-disciplinary approach to regionalism has allowed for a better understanding of the processes involved and has moved away from the narrow and limited economistic approach of classical regionalism (Mansfield & Milner 1999:621).

Although the distinction between old and new regionalism has been disputed as archaic, on the grounds that new regionalism has been around for over two decades (Hettne 2005), it is important to understand that a multitude of alternative forms of regional integration, exemplified in this research by the GMS, is now offering a variety of opportunities to other less developed countries pursuing different forms of regionalism.

Developmental regionalism can be defined as ‘a development capacity-building process targeted at periphery states to help them engage in regional economic processes and draw them closer into the core economic zones of the region’ (Dent & Richter 2011:34). This definition would seem to fit with the GMS, as well as other sub-regionalism initiatives supported by the Asian Development Bank such as Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA) or the Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT). The opportunities for the countries involved to reap the benefits of economies of scale from integration, as well as the capacity to close the development gap between rich and poor areas of South East Asia, makes this form of regionalism desirable to most states. In addition, the objectives of development regionalism for ‘growth polygons’, such as the GMS, seem to be congruent and even complementary with macro-regional initiatives like the goals of the ASEAN economic community. The interests of external actors in this form of regional integration can also be explained as this development capacity-building process seems ‘conducive to the operation of more efficient internationalized and transnationalized business activities’ (Dent & Richter 2011:35).

As previously stated, the theoretical framework for this research will encompass more than just regionalism theory, in order to try and provide a deeper understanding of the unique form of regionalism presented in the GMS. If regionalism is conceived as relating to ‘a situation where there exists a clear idea of a region [and] a set of goals and values associated with a specific project that an identifiable group of actors wish to realize’ (Hveem 2003:83), then theoretical perspectives rooted in International relations may also be helpful in analysing the interests and motivations of actors involved in the GMS. For this research, the opposing paradigms of neo-realism and neo-liberalism will be considered behind Japanese interests in the GMS and subsequently how these interests affect the actions of the member states. Within a neo-liberal perspective, ‘while acknowledging that aid motives are normally mixed, [they] insist that moral factors have been decisive in the long run: for the origin, sustainability, and development of aid as a regime’ (Kamminga 2007). Whereas neo-realism would stress the economic and security interests of donor countries as the over-riding factor involved in aid allocation. Considering Japan’s position within the global economy as a resource-poor country, the provision of infrastructure for the GMS as a means of reducing Japanese trade costs and creating access to new markets for Japanese exports would seem to fit more with a neo-realist perspective on aid allocation. However, this view of aid allocation as a means of maximising national security interests appears limited in fully explaining Japan’s interests in

the GMS and would view the member states of the GMS as fairly passive in this process. Therefore, Kamminga's (2007) suggestion of a 'mixed neorealist theory that assigns clear priority to national security because of non-transformed system constraints yet also expects states, if once secure, to show altruistic instead of further egoistic behaviour, depending on the nature and development of their domestic moral-political systems' seems a more helpful theoretical framework for analysing the interests of both Japan and the GMS member states.

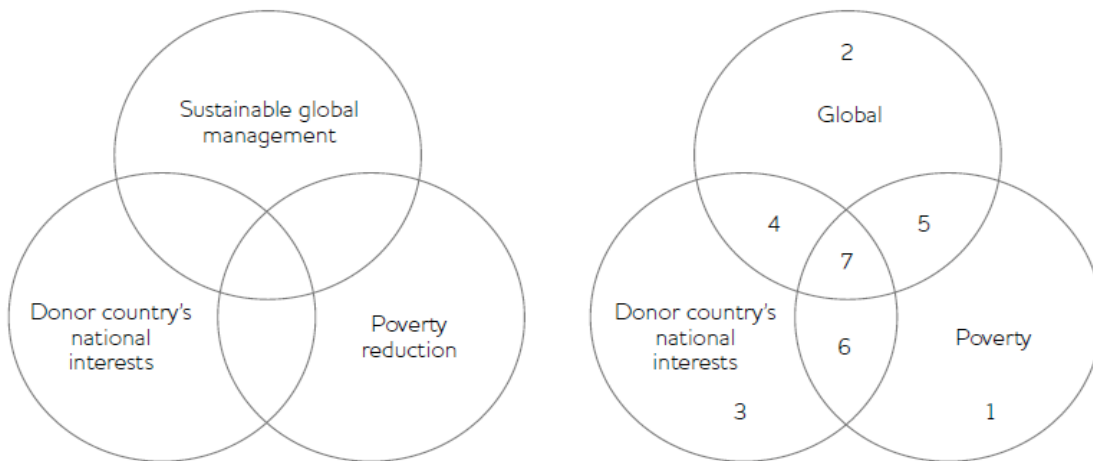
Finally it is important to consider some theoretical perspectives within economics, as the main units of analysis will be related to aid and trade flows from Japan to the GMS. These theories offer some insight on the motivations behind regional integration, from an economic perspective, as well as illustrate the ideology behind 'top down' developmental regionalism. Central to the research problem is the question 'why do countries give aid?' and therefore, theories on foreign aid motivations and aid effectiveness will make up the final theoretical perspective. Within economic discourse, foreign aid has been seen as an essential component of growth, progress and prosperity for developing countries and has been used by donor countries in a variety of ways to help close the gap between the rich and the poor of the world. Nevertheless the continual shifts in theoretical explanations of development throughout the past fifty years have emphasized the need to continually re-evaluate the nature of aid in order to maintain its relevance and effectiveness. If development can be seen as implying 'intentional social change in accordance with explicit societal objectives' then these objectives must be mirrored by aid policies at the time (Hettne 2009:9). The role of external actors, and especially developed countries, in the developing world has been significant since the days of colonialism and their actions and motivations have continued to influence the development of these areas. In the modern age the presence of external actors in the developing world is most commonly associated with the idea of facilitating development through foreign aid. Aid was used as a development tool as 'it was thought that infusions of foreign capital, in the form of loans and foreign aid as well as knowledge and technology from the industrialised 'centre' would bridge the global divide' (Coronel & Dixit 2006:19). The majority of foreign aid often comes in the form of Official Development Assistance (ODA) which is provided by the members of the Development Assistance Committee (DAC), a forum set up by the Organization of economic Co-operation and Development (OECD) in 1960 to discuss issues regarding aid. The forum defines ODA as 'resources transferred on concessional terms with the promotion of the economic development and welfare of the developing countries as the main objective' (Burnell 2002: 473). With the exception of Japan,

the rest of the DAC members were predominantly from either Western Europe or North America and around a third of global ODA is managed and allocated by large multilateral financial institutions such as the World Bank and the IMF. Many dependency scholars critiqued the effectiveness of ODA as a tool for creating sustainable development, believing instead that aid was used as ‘an instrument of domination and exploitation’ and that it only ‘benefitted privileged elites in the South as well as in donor countries’ (Burnell 2002:475). In spite of the dependency critique being undermined in recent years by the post-development movement it is important to note that ‘even though some ODA appears altruistic, much is manifestly deployed to promote the political and economic concerns of donors’ (Desai & Potter 2002:471). Although these concerns have shifted throughout time, they still remain an essential component in aid allocation, whether explicitly stated as a condition for aid or indirectly providing benefits for donor countries. One of the most significant indicators of the economic concerns of donor countries is foreign trade statistics and therefore one economic assumption at the core of this research is that trade between countries is dependent upon the aid allocation from one country to another. Many scholars have investigated the bilateral relationship between aid and trade, in the hope of establishing the casual link between the two. Osei (2004) states that aid can determine trade as ‘this can happen directly, when the aid is tied (to imports from the donor), or indirectly, if the aid contributes to growth and an increase in the demand for imports from the donor’ (2004:356). In addition to this, Johansson & Pettersson (2009) suggest that while many studies have shown that a positive correlation exists between donor aid and donor exports, a positive correlation also exists between donor aid and donor imports. They conclude ‘that an intensified aid relation is associated with a reduction in the effective cost of geographic distance which implies larger bilateral trade’ (Johansson & Pettersson 2009:2). As Japan remains one of the world’s largest aid donors, and much of that aid is directed towards South-East Asia, these theories serve as a good starting-point in understanding Japan’s role in the GMS.

Historically, the motivations of donor countries have been associated with concepts related to security, in that poverty reduction is key to establishing global security and reduces threats to developed nation states. This rhetoric was especially dominant during the formation of DAC, within the context of the Cold War and the threat of communism. However, the end of the Cold War has led to a shift in the notions of security, from state security to human security and ‘one can see this contemporary focus on ‘human’ as part of the paradigm shift which goes together with globalization in giving rise to a post-national logic’ (Hettne

2009:22). In light of this shift, issues such as poverty reduction, good governance, human rights promotion and ecological security have become integral factors for donor countries motivations in aid allocation, along with their own national interests.

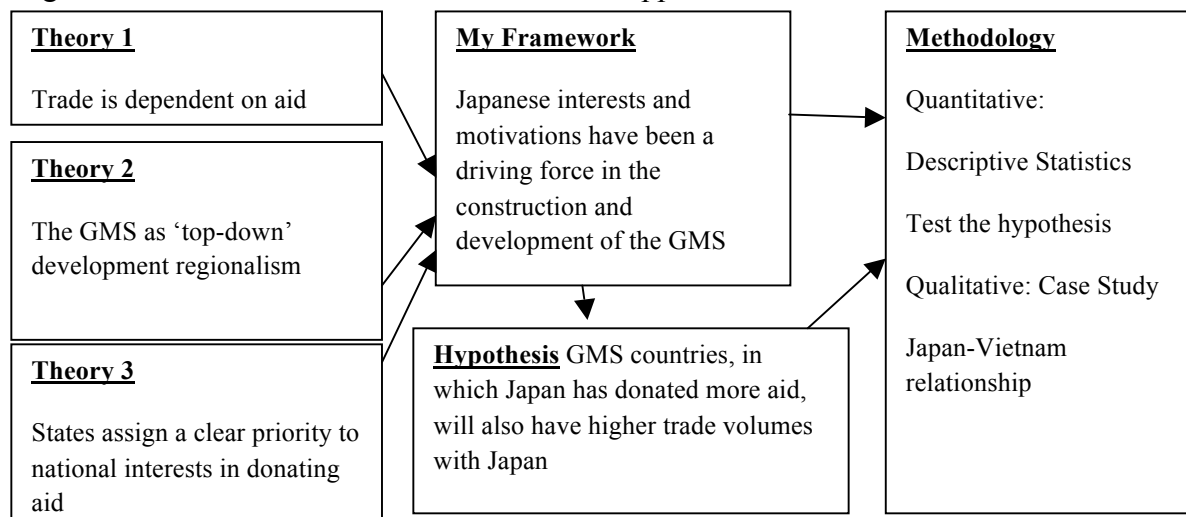
Figure 3.1 – Tensions between the motivations of donor countries



Source: Wolcott & Haddad (2011:83)

In analysing the effectiveness or relevance of ODA it is important to understand the motivations of aid donors. In the figure above Wolcott & Haddad (2011) have developed a diagram to summarize the different objectives of donor countries in respect to ODA. It is argued that there exists the ‘need to align the three potentially conflicting goals of aid donors: peace (i.e. conflict prevention, peace-building); planet (i.e. sustainable management of global resources) and prosperity (MDGs, growth, poverty and inequality reduction and wellbeing)’ (2011:82). In this respect the ultimate goal is to reach number 7 on the diagram, whereby ODA is used in a way that reduces poverty, creates sustainable development and meets the needs of both donors and recipients.

Figure 3.2 - Research Framework – Deductive Approach



Contextual Framework

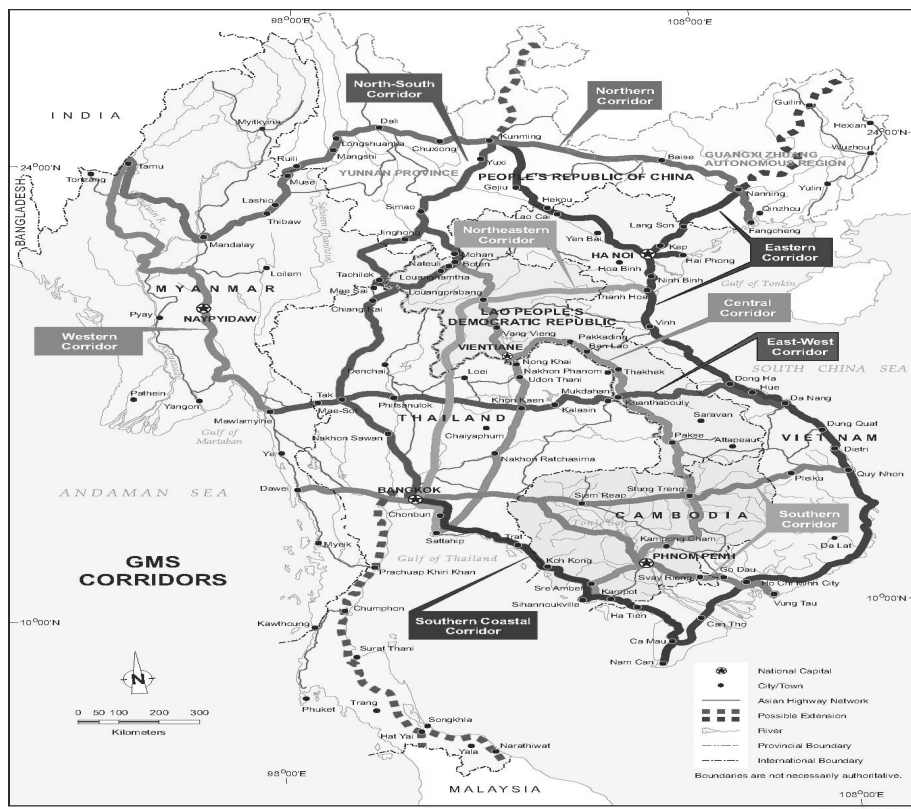
The theoretical framework can be summarized using the diagram above. By combining the theoretical perspectives from three different academic disciplines, it is hoped that Japanese interests and motivations in the GMS can be explored. Before analysing the quantitative and qualitative data collected, the next section will give a brief overview of the GMS within a regional context, as well as a brief outline of Japan's history as an aid donor.

CHAPTER 4 - Contextual Framework

The GMS in a Regional Context

Started in 1992, the GMS is often regarded as a pragmatic, results-oriented and flexible form of developmental regionalism, which promotes cooperation and integration between its members that complements both national and international development strategies. The major priority of the GMS is in the development of several economic corridors, which are used to promote its objectives in facilitating the transnational movement of goods and people and enhancing prosperity across the region. The map below outlines the location of these economic corridors:

Figure 4.1 – Economic Corridors within the Greater Mekong Sub-region



Source: Modified from Figure M-1 (Existing and Proposed GMS Corridors), GMS Transport Sector Strategy Study – Final Report, Volume 2, 07-gms0109/h/9 RM

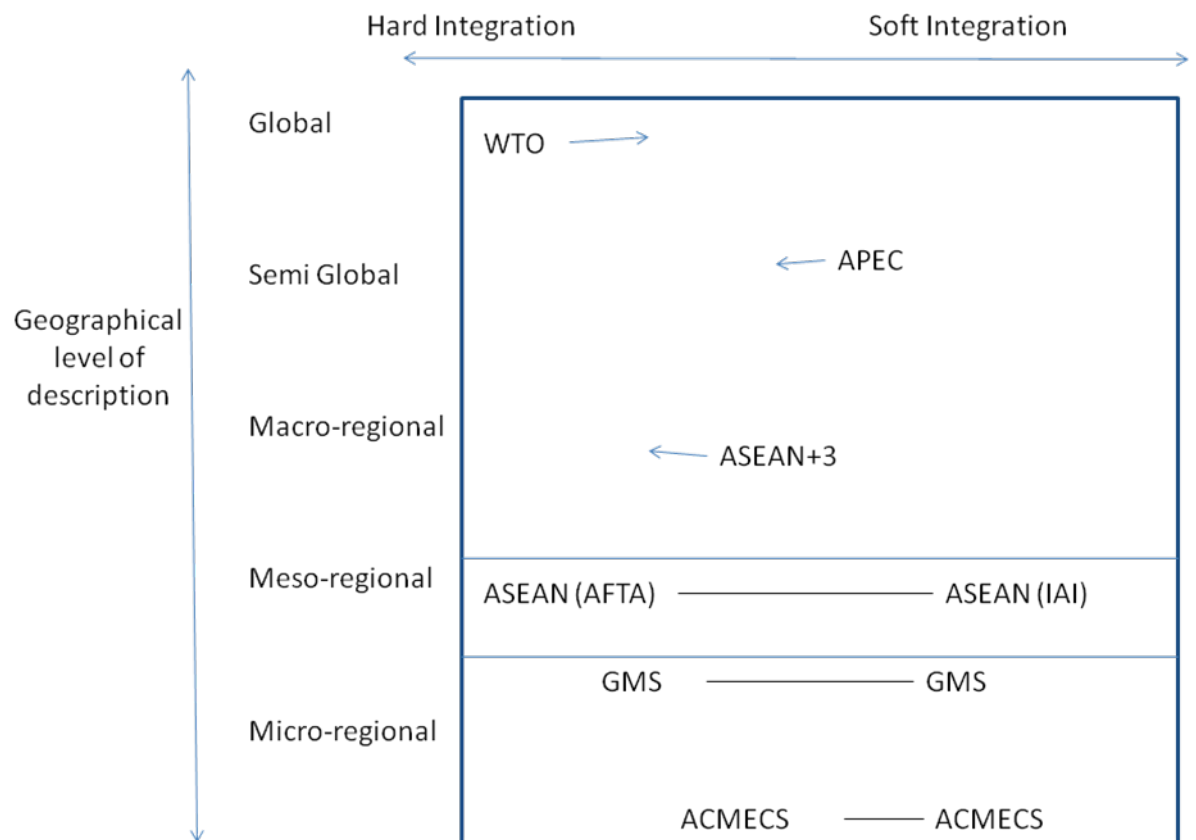
Source: Asian Development Bank (www.adb.org/gms)

‘A corridor is a geographical zone in which infrastructure improvements are linked to production, trade and related aspects of economic life, in order to promote economic development and cooperation among regions or border countries’ (Faure & Schwab 2008:112). This commitment to the provision of physical infrastructure as a means of regional integration, over more political or institutional integration, has meant that the GMS represents a more ‘market led’ form of regionalism, which appeals to both the private and public sectors. Vice President of the ADB, Bindu Lohani, argues that by using economic corridors as the cornerstone of its regional integration they ‘not only have the potential to serve as models for other regional cooperation initiatives elsewhere; they are also already emerging as building blocks of regional connectivity and integration in Southeast Asia’¹.

The rise of new regionalism after the Cold War has meant that there exists a multitude regional groupings dealing with the issues of regionalism in South East Asia, and the Mekong economies participate, not only in the GMS but also, in different regional groups dealing with various aspects of integration and working at different geo-spatial levels. The various aspects of integration can roughly be classified into *hard* and *soft* integration whereby *hard* integration deals with the provision of physical infrastructure or specific action towards trade liberalisation, such as the reduction of tariffs, whereas *soft* integration is more concerned with improving areas which help facilitate trade indirectly, such as human resource development. The figure below highlights some of the most significant regional groupings for South East Asian economies and the areas of integration which they are focussed on.

¹ <http://www.adb.org/news/cambodia/economic-corridors-development-measure-success-gms-program?ref=countries/gms/news>

Figure 4.2 – Categorisation of selected supranational institutions and schemes based on type of integration and geographical level



Source: Lindberg (2007)

ASEAN, which was established in 1967 between six South East Asian countries and expanded throughout the 1990s to include Cambodia, Lao PDR, Vietnam and Myanmar, is often regarded as the most comprehensive regional institution in South East Asia, which promotes a wide range of both *hard* and *soft* integration projects across the entire region. ASEAN are committed to bridging the development gap between these Mekong economies and its core members, which is encapsulated by the Initiative for ASEAN Integration (IAI), which aims at improving economic integration among its new members. Bridging this development gap is seen as a top priority for ASEAN as it underpins the development of larger objectives, such as the ASEAN Free Trade Area (AFTA), and facilitating the creation of an ASEAN Economic Community (AEC), which aims to establish a single market across South East Asia by 2015. Smaller regional groupings are often seen to complement ASEAN objectives and in this respect, ‘the GMS program is assisting its members to integrate more closely with the ASEAN region and, through this, with the rest of the world (Menon 2005:32).

The other significant group working with the economic integration of Mekong economies is the Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS) which was set up in 2003 by Thailand, who aimed to tackle the development differences between itself and its neighbours by cooperation in increasing competitiveness, agricultural and manufacturing development, creating employment opportunities and enhancing peace and prosperity in the region. According to the ACMECS website, 'it is in this way that the new cooperation framework will act as a building block and move ASEAN forward at a more even pace, on the basis of self-reliance and shared prosperity'².

Despite the various ways in which each of these regional groupings can complement each other in advancing regional integration, the GMS has some advantages over these other regional groups which have contributed to its success as well as improved its status among member governments and external actors as an integral player in each countries integration strategies.

Perhaps the greatest advantage of the GMS over other regional groups, such as ASEAN or ACMECS, is its financial resources and abilities to secure large amounts of funding for its projects. The nature of the GMS as a regional group established by an external actor, which is focussed on the provision of transnational public goods, means that there are benefits not only for member states but for the global business community as well. This has helped the GMS secure funding as, in respect to regionalism, 'all programmes, projects, arrangements need outside funding and the funds will come if the activities are attractive to invest in' (Sucharithanarugse 2006:293). By attracting the attention of the two largest economies in East Asia, namely Japan and China, the GMS has been able to secure funding for projects, where ASEAN initiatives such as the IAI, have fallen short. For the GMS 'more resources are available, hence creating a greater readiness in member countries to be involved in various projects' and 'the funds available within the IAI are clearly very moderate and stand in sharp contrast with the affluent ADB funds' (Lindberg 2007:194). For the ACMECS, the exclusion of China as a member may be seen as a contributing factor to their lack of funds in relation to the GMS. In addition to this, as ACMECS is a Thai initiative, the majority of its funding comes from Thailand, which considering the country is one of the major contributors to the IAI suggests that the ACMECS may not complement ASEAN as it could detract funds from the IAI.

² <http://www.acmeecs.org/index.php?id=9>

The ‘market-led’ form of regional integration, pursued by the GMS, can be seen to fit with Higgott’s (1997) ideas of *de facto* structural economic regionalism rather than the *de jure* institutional economic cooperation pursued by ASEAN and the EU. *De facto* structural economic regionalisation is seen ‘as the outcome of a dynamic tension between globalisation and regionalisation, driven by growing intra-regional trade and FDI rather than by governments’ (Lindberg 2007:70). Considering the political tensions between the members of the GMS, such as issues with human rights in Myanmar, territorial disputes in the South China Sea and the recent conflict between Thailand and Cambodia, as well as the historical legacy of conflict in the region, it appears that by focussing regionalism on markets rather than political issues has given the GMS an advantage over other regional groupings.

Japan as a leading donor

In order to fully understand Japan’s aid policies, with respect to the GMS, it is important to discuss how different discourses in development have changed over time and had a significant influence on global aid diplomacy. After the Second World War, when development first began to get global attention, the meta-narrative of modernization theory was used as the basis for most development programmes. During this period, Japan was quickly establishing itself as one of the world’s leading aid donors and soon surpassed most major aid donating countries in total ODA contributions. In addition to this, the era was also marked by substantial increases in economic growth across other parts of Asia, later to be coined the East Asian Miracle (World Bank 1993), whereby the successes of modernization theories and Japan’s flying geese model were often seen as a good explanation. The flying geese model, developed by Akamatsu as early as the 1930s, referred to the ‘dynamic shift of industry from one country to another’ and ‘the model can apply to groups of Japanese firms moving their productive capacity in stages through the countries of Asia’ (Gwynne 2002:202). It made use of both the idea of industrialization as core to growth, and therefore development, as well as the ‘trickle-down’ effect of technology and expertise, which were central to modernization theories at the time.

Japan’s interest in developing Asia, and especially within South-East Asia, was confirmed by the Fukuda doctrine in 1977, stating its desire to create regional stability in South-East Asia and would encourage cooperation and integration within the region, without exerting force or becoming a superpower. The doctrine was also ‘accompanied by a generous cheque of \$1.55 billion for all countries of the region’ (Faure & Schwab 2008: 53).

Although the doctrine did not specifically emphasise development objectives for South-East Asia, its stress on regional stability and integration could be seen as directly related to Japan's desire to maximise economic opportunities in the region. The focus on regional integration in the Fukuda doctrine could therefore be seen as laying the foundations for future aid programmes in the region, such as the GMS. In this respect some scholars argue that as a result of the country 'lacking political-military power, Japan has often opted to employ foreign aid as a strategic tool for gaining increased influence' (Hatakeyama 2008:345). Therefore the dominance of modernization throughout the 1960s and 1970s in international aid diplomacy could be seen as having a direct benefit on Japanese interests, especially regarding economic opportunities and influence in other parts of Asia.

However, as the 1970s drew to a close the relevance of the theories underpinning development studies began to be called into question and 'whether it concerned modernization theories or neo-Marxist dependency theories, both sets of development theories were losing out in terms of their explanatory power' (Schuurman 2002:12). Thus, from the mid 1980s many scholars began to declare an impasse in development studies. In the years to follow the failure of real development experienced by many countries, as well as the end of the cold war and the inexorable rise of both globalization and post-modernism, were used by many scholars to argue that development discourse must change in order to come out of this impasse and provide effective and achievable development strategies in the post-modern world. Moreover, 'it had become clear to the more insightful thinkers in both the North and the South that the problems of the Third World could not be resolved simply by mimicking the solutions that had been tried in the North' (Coronel & Dixit 2006:19). In response to Japan, this argument directly opposed the concept of the flying geese model, as not only was the trickle-down effect shown to be marginal in real terms but that the trajectory of Japan's own economic development was inapplicable to other developing countries. The impasse therefore questioned the relevance and effectiveness of aid policies of the 1960s and 1970s and as Schuurman (2000) has argued: 'the challenge for development studies is to re-establish its continued relevance to study and to understand processes of exclusion, emancipation and development' (2000:19).

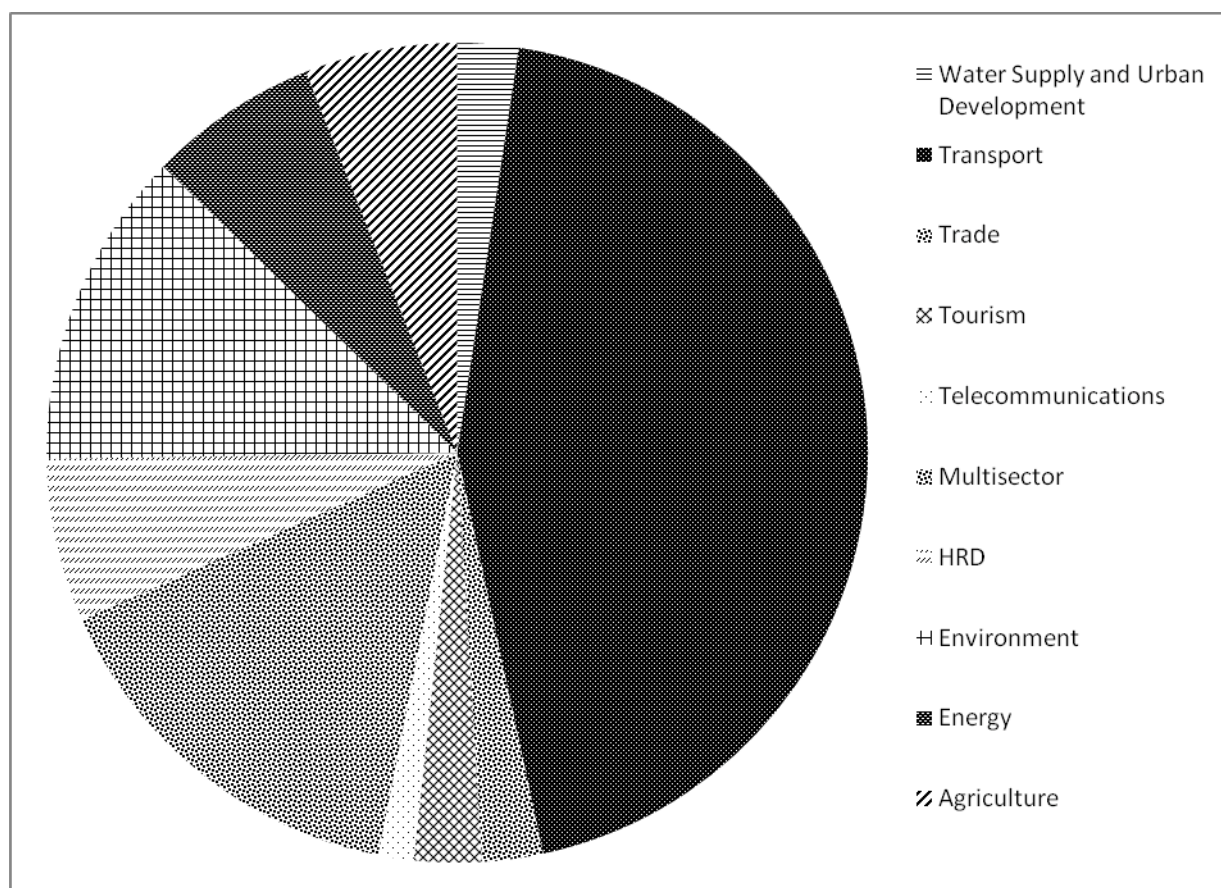
This impasse in development studies would go on to have a profound impact on the objectives of aid strategies and is often attributed as causing a shift in the focus of global aid providers, such as the World Bank who moved from promoting structural adjustment policies,

which emphasized the ideals of modernization theory, to more poverty reducing strategies. By the late 1990s, the international community had begun to emphasize the need for coordination from donors and increased ownership from recipients as fundamental ingredients for future aid policies. These ideas were enshrined by the Millennium Development Goals which have attempted to ensure that poverty reduction and social development remains central to international development agendas. However, for Japan ‘a strategy emphasising social development as the key to poverty eradication stood in conflict with the underlying rationale behind Japanese assistance’ and a ‘multilateral approach would provide the Japanese government with even less of an opportunity to exert any type of meaningful influence on the subsequent outcomes’ (Hatakeyama 2008:347-8). Therefore, Japan was adamant that it should attempt to challenge the new consensus within the international aid debate and establish a more open approach to poverty reduction that included more than just the social sector. It also rejected the idea that its own economic development experience, where infrastructure development and human resources were integral, could not be emulated in other parts of Asia. In essence the ‘Japanese government explicitly intended to persuade the international aid community that the East Asian economic development approach was effective’ (Hatakeyama 2008: 349). Although this approach was not adopted by global financial institutions such as the World Bank or IMF, it has certainly shaped Japanese aid policy in the 21st century and its impacts have been felt within the GMS programme. This Japanese rhetoric has been mirrored by the Asian Development Bank, which has also championed infrastructure as central to the development of the region. This in turn has led to criticism of the bank as some have highlighted the ‘shortcomings inherent within the developmental vision underpinning the GMS program and questioned its ability to deliver poverty reduction on a meaningful and sustained basis’ (Oehlers 2006:466). In fact many scholars have attempted to highlight the influence of Japanese interests over the ADB in terms of aid allocation, policies and leadership (Kilby 2006, Alesina & Dollar 2000, Wan 1995), leading some to conclude that Japan and the ADB cannot be considered as mutually exclusive. It has been stated that the ‘close connection between the ADB and the Japanese Ministry of Finance has not only offered the Japanese officials dealing with the ADB options for influencing the bank policies from behind the scenes but also made them identify with the ADB’ (Wan 1995:509). It is not the aim of this research to investigate this relationship in detail, but rather to use these assumptions as the basis to explain Japan’s role within the GMS.

CHAPTER 5 – Quantitative Analysis

One of the key advantages of the GMS over other regional institutions in South East Asia is its ability to secure funding for its integration projects. In assessing the role of Japan in the GMS, the countries and sectors of integration that Japan is financing, as well as how its foreign aid and trade has changed in the GMS since its establishment, are a good starting point for understanding this relationship. Even though the GMS is technically an ADB initiative, the sphere of influence and financial contributions made by Japan to the bank have meant that many regard the ADB as a mere extension of Japanese foreign policy (Kilby 2006, Alesina & Dollar 2000, Wan 1995). Indeed, the Japanese government is the largest development partner for the ADB, providing over \$8.5 billion in loans, grants and technical assistance for development projects across Asia (ADB 2011). In addition to external funding from Japan, through loans and grants, a significant part of the ADB funds for projects, especially with respect to technical assistance, comes from the Japan Special Fund (JSF). Since its inception in 1988, the JSF has placed ‘particular emphasis on industrialization, natural resource development, human resource development, and technology transfer’ as well as supporting regional cooperation and integration across Asia (ADB 2009). Within the GMS framework, the JSF has provided around \$50 million in technical assistance grants to member countries, with just under half of that being focussed on the transport sector. The graph below shows the composition of JSF funding within the GMS by sectors.

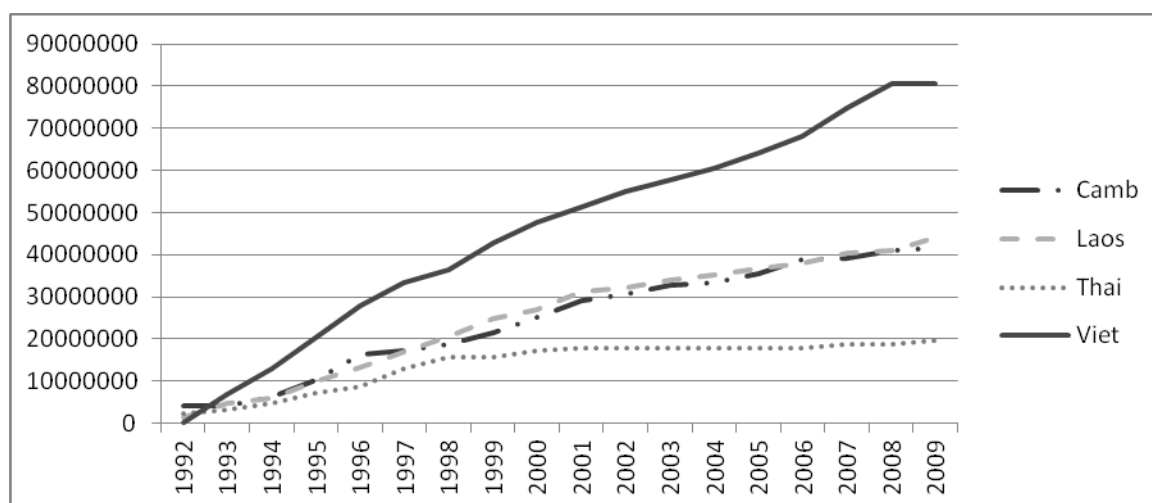
Figure 5.1 – Japan Special Fund in the GMS by sector



Data Source: ADB-Assisted GMS Technical Assistance Projects, by Sector (2010)

The graph appears to confirm the overwhelming priority infrastructure, and especially transportation infrastructure, has in Japanese funded integration projects. However, countries in the region also receive funds from the JSF, outside the GMS framework of regional integration, which tend to deal with more pro-poor, poverty reduction projects. Since 1992, Vietnam has received the largest share of JSF funding with the GMS, receiving almost double the funds compared to Lao PDR and Cambodia, and over four times as much as Thailand.

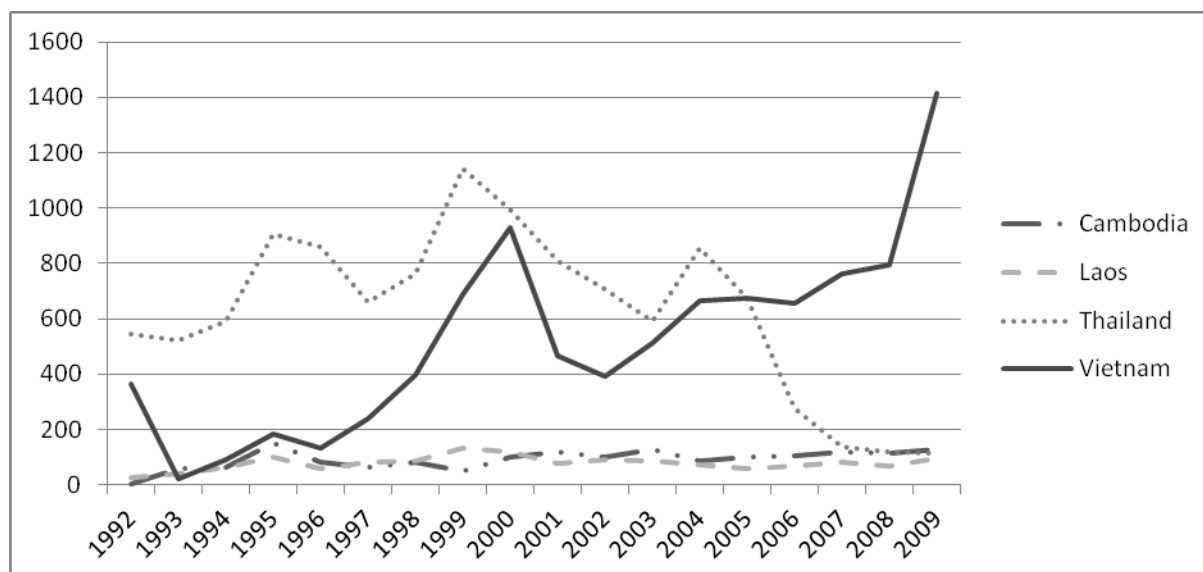
Figure 5.2 – Cumulative amount of Japan Special Fund Technical Assistance grants received between 1992-2009 (in \$US '000)



Data Source: ADB (2009)

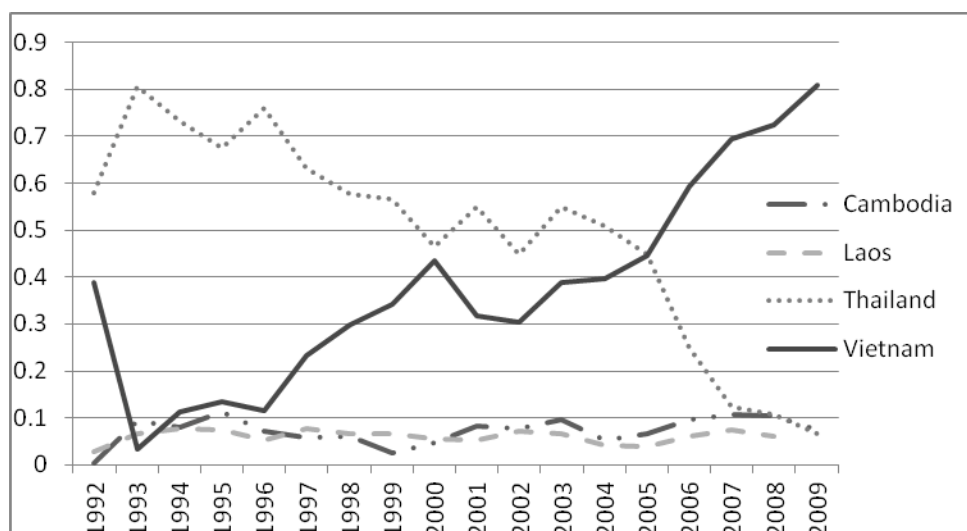
The difference between JSF received within and outside of the GMS framework, reflects the difficulties in assessing Japan's financial role in the region, as it is difficult to separate which funds are used for which projects, as well as the extent to which Japanese funding outside of the GMS framework can contribute to integration objectives. Perhaps a more comprehensive indicator of Japan's financial role with regard to the GMS would be to consider the bilateral ODA flows between Japan and each GMS member. The following two graphs highlight the change in Japanese ODA flows and the share of ODA between four GMS members since 1992. As can be seen, the significant decrease in ODA to Thailand has been met by a substantial increase in ODA to Vietnam, whilst Cambodia and Lao PDR have remained on relatively similar levels of ODA throughout the period.

Figure 5.3 – Total ODA gross disbursements from Japan (\$US millions)



Data Source: OECD (2011)

Figure 5.4 – Share of ODA received from Japan



Data Source: OECD (2011)

This disproportionate allocation of ODA flows may be explained by the differences in population between each of the GMS countries, as even though Thailand and Vietnam are relatively more developed in respect to GDP and their HDI rankings, they also have far larger populations than Lao PDR and Cambodia. The graph below shows the differences in population between these four countries.

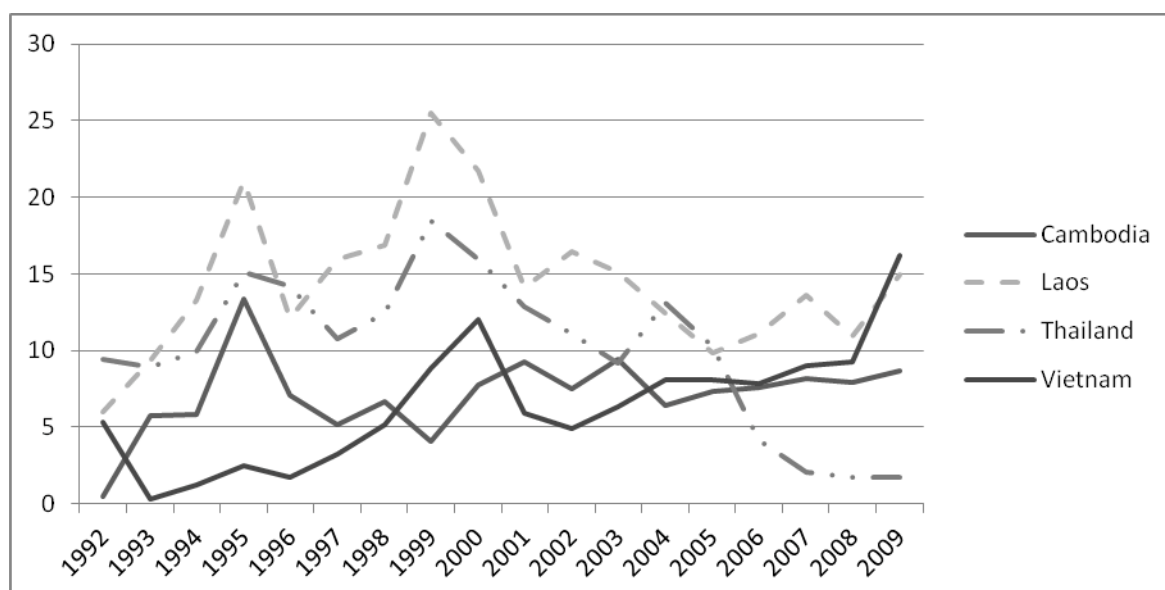
Figure 5.5 – Total Population (Millions)

	1992	1995	1998	2001	2005	2009
Cambodia	10.38	11.38	12.25	12.99	13.87	14.81
Lao PDR	4.44	4.81	5.18	5.5	5.88	6.32
Thailand	58.19	60.14	61.4	62.99	65.95	67.76
Vietnam	68.99	72.98	76.52	78.69	83.11	87.28

Data source: World Bank (2011)

In this respect, ODA per capita may be more useful in examining aid flows between Japan and the GMS economies, as it should give a more balanced representation of how much aid each country is receiving.

Figure 5.6 Total ODA per capita from Japan (\$US)

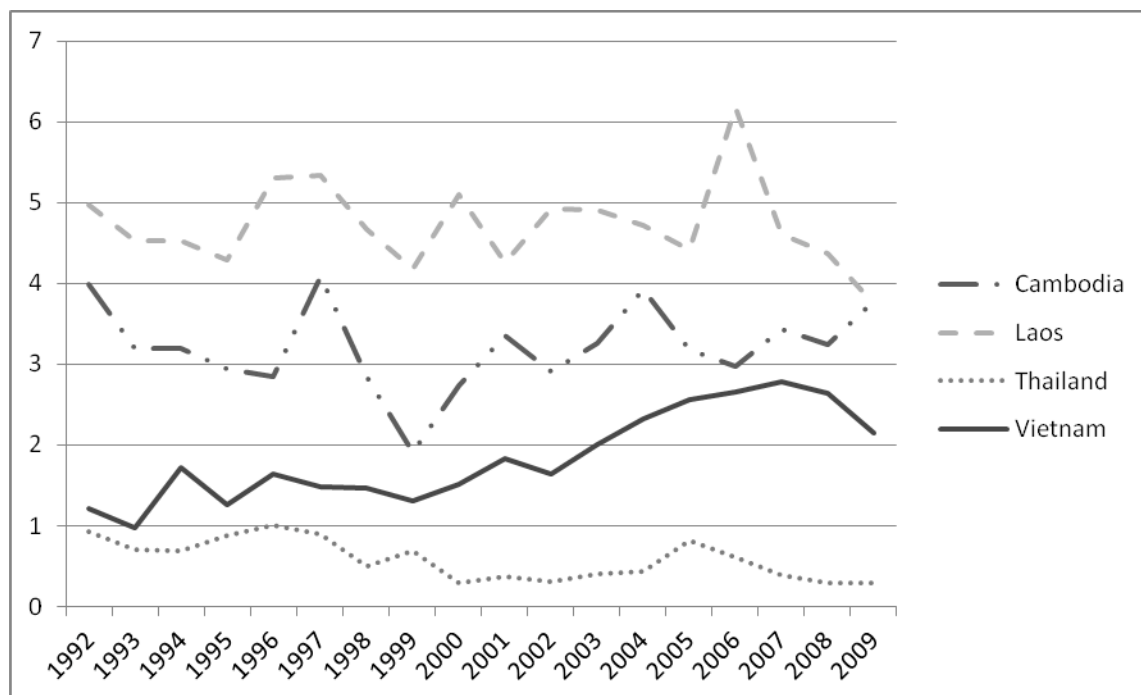


Data Source: OECD (2011)/World Bank (2011)

As the graph above shows, the ODA per capita received by each of these countries has been more varied over time with Lao PDR and Thailand receiving the highest amount of ODA per capita throughout the 1990s, and Vietnam gradually rising over time. Nevertheless, when this is compared to ODA per capita from other donor countries it still shows that Japanese aid does not tend to follow international trends in ODA. To emphasize this point, small donor countries, such as Scandinavian countries, are often used as a proxy to highlight

the need and perceived effectiveness of ODA. This is because these countries are often cited as fair donors, due to the lack of colonial ties and their humanitarian intentions (Fleck & Kilby 2006:214). The graph below shows ODA per capita to the GMS countries from a composite of small donors, namely Sweden, Norway, Denmark, Canada and the Netherlands.

Figure 5.7 – Small Donor ODA per capita (\$US)



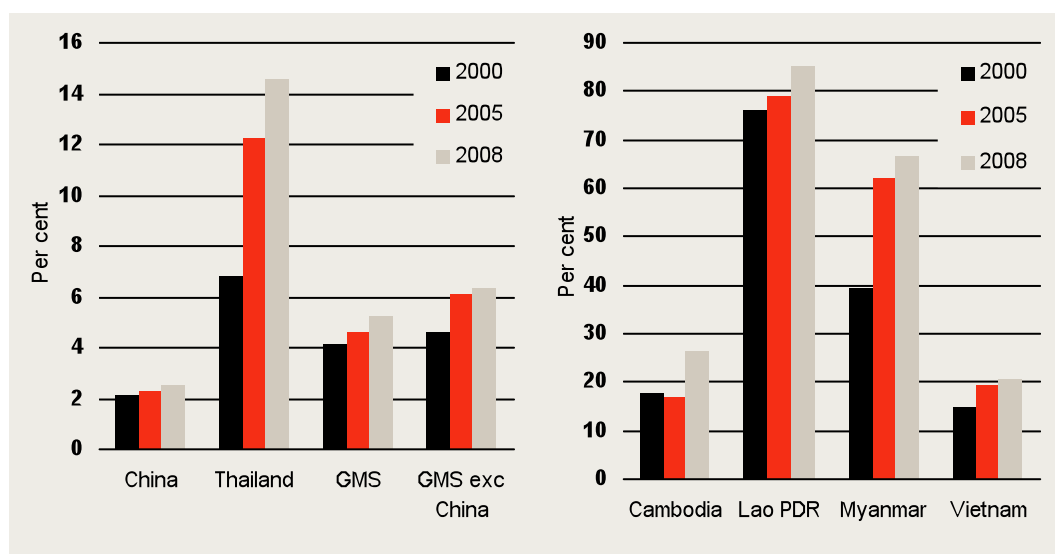
Data Source: OECD (2011)/World Bank (2011)

From this graph a clearer distinction can be made between each country, with Lao PDR and Cambodia receiving more aid per capita than Thailand and Vietnam, which would seem to match neo-liberal ideas which suggest there should be a negative correlation between income level and ODA.

Up until now, the analysis has only dealt with trends in ODA between Japan and the GMS, but in order to understand some of the factors behind these trends, other economic ties should be considered. Foreign trade flows represent a good indicator for the bilateral economic relationship between donor and recipient. The relationship between trade flows and aid can be twofold, whereby aid can facilitate trade, either directly through aid tied to imports or indirectly through economic growth, which in turn leads to a rise in the demand for imports (Osei 2004:356). Alternatively, trade can also be seen to determine aid, whereby countries with large volumes of trade flows are seen as strategically and economically

important, therefore necessitating a greater share of ODA. Either way, imports and exports between a donor and recipient can often be regarded as reflecting both economic and security interests of donor countries. In addition to its usefulness as an indicator for the bilateral economic ties between two countries, trade can also be used as a significant indicator for regional integration. The figure below highlights the changes in intra-GMS trade between each of the countries since its establishment.

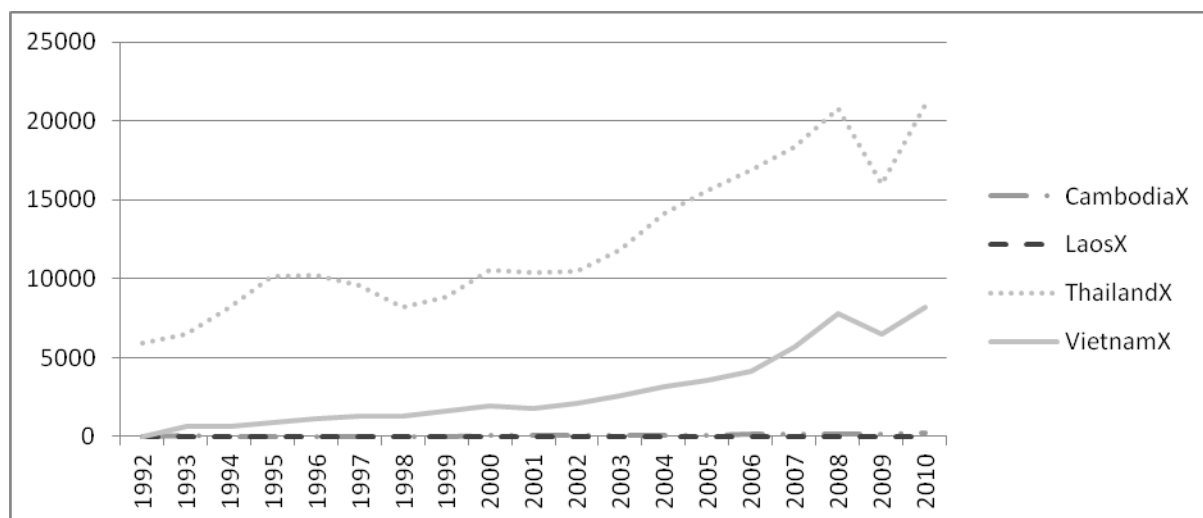
Figure 5.8 - Intraregional trade: a growing share of GMS trade



Source AusAID (2010)

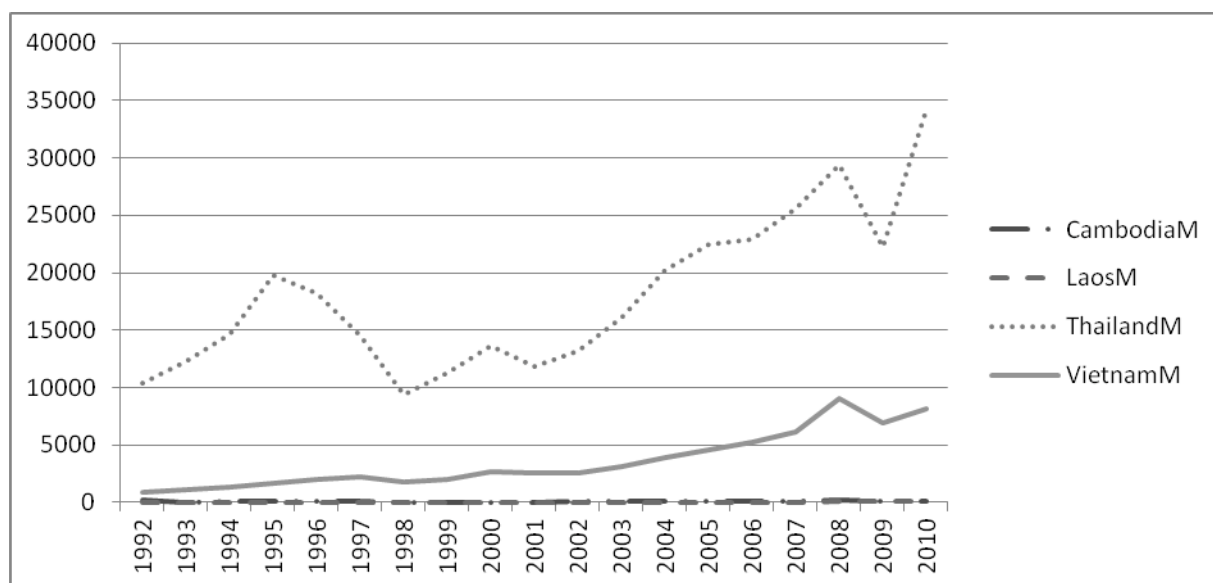
The vast increases in trade between each of the countries may suggest that the infrastructure projects undertaken by the GMS could be seen to be relatively successful in their objectives to further regional integration, if intra-regional trade is a good indicator. Nevertheless, Japan remains a significant trade partner for most GMS economies and in order to understand its role in the region, trade flows, and their relationship with ODA, between Japan and the GMS must be explored.

Figure 5.9 – Total Exports from Japan (\$US millions)



Data Source: UNCOMTRADE (2011)

Figure 5.10 – Total Imports to Japan (\$US millions)

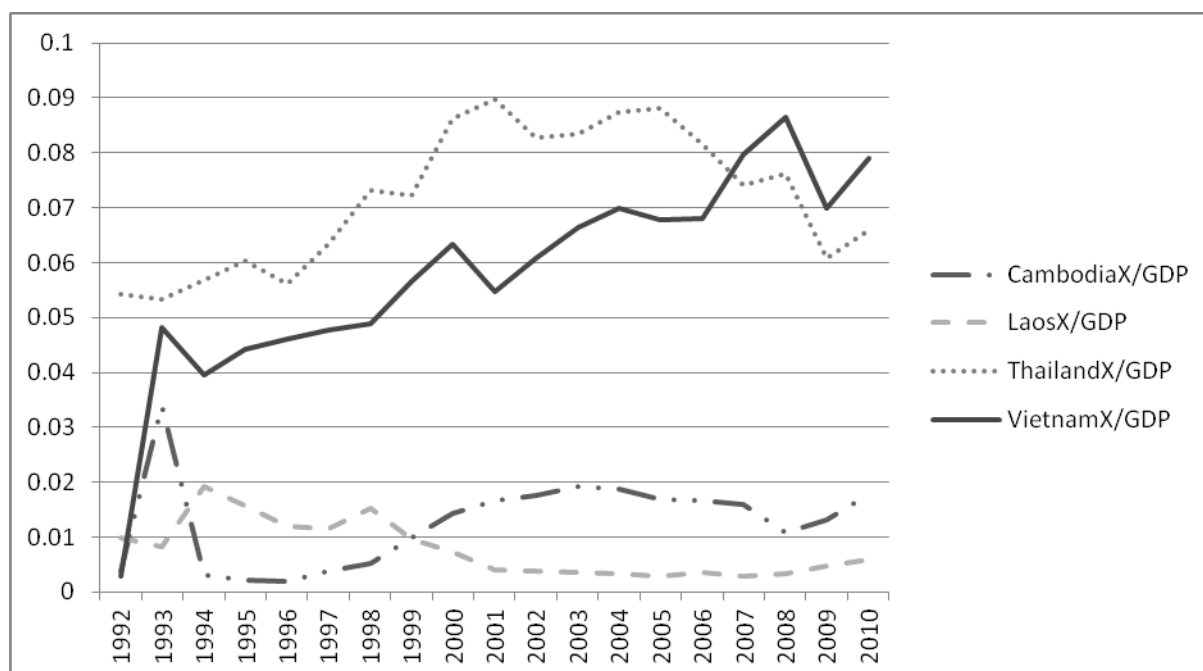


Data Source: UNCOMTRADE (2011)

The graphs above highlight the volume of imports and exports between Japan and four of the GMS economies. As the data above shows, the vast majority of trade is with Thailand, which has continually had the highest volume of both Japanese exports and imports. Vietnam's trade volumes with Japan have gradually risen since the establishment of the GMS, whereas Cambodia and Lao PDR have remained on relatively low levels of trade for both imports and exports. Again, similarly to ODA flows, this raw data on trade volumes does not account for the differences between these countries, especially with respect to GDP. If this trade data is

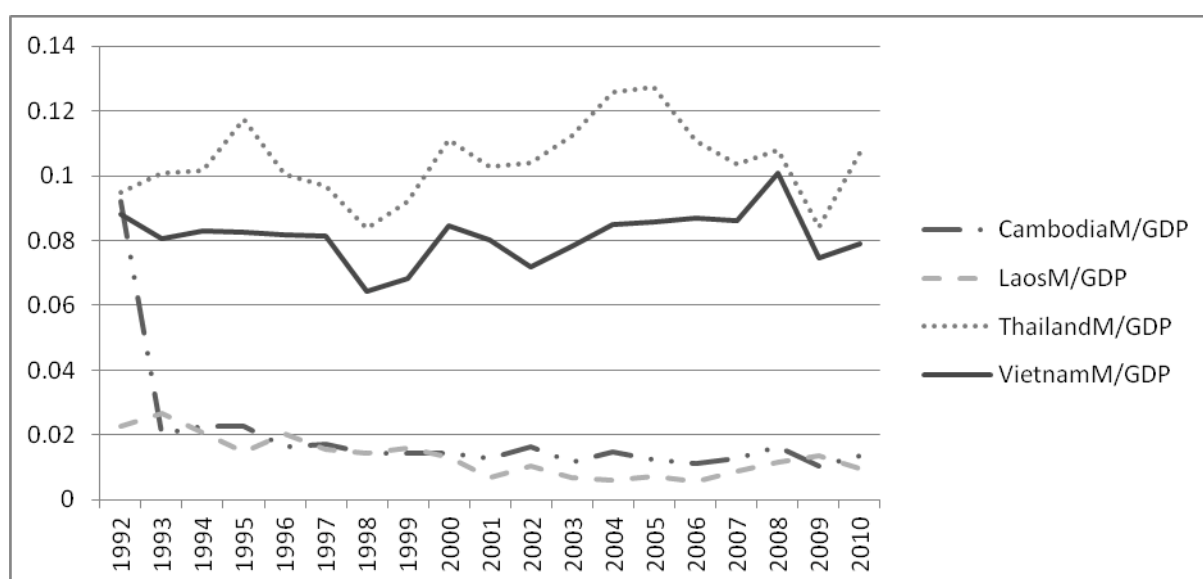
weighted against the GDP of each respective country the significance of Vietnam as a trade partner becomes apparent. In addition to this, these graphs also highlight the importance of Japan as a significant trading partner for both Vietnam and Thailand, considering both Japanese exports and imports make up roughly between 8-10% of GDP for each country.

Figure 5.11 – Ratio of Exports from Japan to GDP



Data Source: UNCOMTRADE (2011)/IMF World Economic Outlook (2011)

Figure 5.12 – Ratio of Imports to Japan to GDP



Data Source: UNCOMTRADE (2011)/IMF World Economic Outlook (2011)

Therefore by examining ODA and trade flows between Japan and four of the GMS countries it appears that Vietnam and Thailand have been far more significant recipients than Cambodia and Lao PDR, and that since 1992 ODA and trade volumes have gradually increased for Vietnam whereas although trade has increased for Thailand, ODA has begun to decrease. This relationship between aid and trade can be explored further by examining whether any significant correlations exist between each of these variables. The correlation figures between ODA, imports and exports with Japan and the GMS suggests there is a small positive significance between aid and trade as the Pearson correlation figure is around 0.490 and 0.448 for Japanese imports and exports respectively.

Figure 5.13 – Correlation matrix for the GMS

		Total Exports from Japan to Country \$US Millions (UNCOMTRAD E)	Total Japan Imports from Country \$US Millions (UNCOMTRAD E)	Total ODA received from Japan \$US Millions (OECD)
Total Exports from Japan to Country \$US Millions (UNCOMTRADE)	Pearson Correlation Sig. (2-tailed) N	1 76	.987* 76	.448* 76
Total Japan Imports from Country \$US Millions (UNCOMTRADE)	Pearson Correlation Sig. (2-tailed) N	.987** .000 76	1 76	.490** .000 76
Total ODA received from Japan \$US Millions (OECD)	Pearson Correlation Sig. (2-tailed) N	.448** .000 76	.490** .000 76	1 76

** . Correlation is significant at the 0.01 level (2-tailed).

However, if the correlations are run separately for each country, then distinct patterns emerge suggesting a skew in interests between Japan and each of the GMS economies.

Figure 5.14 – Correlation matrix for Cambodia

		Total Exports from Japan to Country \$US Millions (UNCOMTRAD E)	Total Japan Imports from Country \$US Millions (UNCOMTRAD E)	Total ODA received from Japan \$US Millions (OECD)
Total Exports from Japan to Country \$US Millions (UNCOMTRADE)	Pearson Correlation	1	.347	-.073
	Sig. (2-tailed)		.146	.767
	N	19	19	19
Total Japan Imports from Country \$US Millions (UNCOMTRADE)	Pearson Correlation	.347	1	.581**
	Sig. (2-tailed)	.146		.009
	N	19	19	19
Total ODA received from Japan \$US Millions (OECD)	Pearson Correlation	-.073	.581**	1
	Sig. (2-tailed)	.767	.009	
	N	19	19	19

** . Correlation is significant at the 0.01 level (2-tailed).

Figure 5.15 – Correlation matrix for Lao PDR

		Total Exports from Japan to Country \$US Millions (UNCOMTRAD E)	Total Japan Imports from Country \$US Millions (UNCOMTRAD E)	Total ODA received from Japan \$US Millions (OECD)
Total Exports from Japan to Country \$US Millions (UNCOMTRADE)	Pearson Correlation	1	.655**	.082
	Sig. (2-tailed)		.002	.737
	N	19	19	19
Total Japan Imports from Country \$US Millions (UNCOMTRADE)	Pearson Correlation	.655**	1	.267
	Sig. (2-tailed)	.002		.269
	N	19	19	19
Total ODA received from Japan \$US Millions (OECD)	Pearson Correlation	.082	.267	1
	Sig. (2-tailed)	.737	.269	
	N	19	19	19

** . Correlation is significant at the 0.01 level (2-tailed).

Figure 5.16 – Correlation matrix for Thailand

		Total Exports from Japan to Country \$US Millions (UNCOMTRADE)	Total Japan Imports from Country \$US Millions (UNCOMTRADE)	Total ODA received from Japan \$US Millions (OECD)
Total Exports from Japan to Country \$US Millions (UNCOMTRADE)	Pearson Correlation	1	.937**	-.664**
	Sig. (2-tailed)		.000	.002
	N	19	19	19
Total Japan Imports from Country \$US Millions (UNCOMTRADE)	Pearson Correlation	.937**	1	-.672**
	Sig. (2-tailed)	.000		.002
	N	19	19	19
Total ODA received from Japan \$US Millions (OECD)	Pearson Correlation	-.664**	-.672**	1
	Sig. (2-tailed)	.002	.002	
	N	19	19	19

** . Correlation is significant at the 0.01 level (2-tailed).

Figure 5.17 – Correlation matrix for Vietnam

		Total Exports from Japan to Country \$US Millions (UNCOMTRADE)	Total Japan Imports from Country \$US Millions (UNCOMTRADE)	Total ODA received from Japan \$US Millions (OECD)
Total Exports from Japan to Country \$US Millions (UNCOMTRADE)	Pearson Correlation	1	.992**	.769**
	Sig. (2-tailed)		.000	.000
	N	19	19	19
Total Japan Imports from Country \$US Millions (UNCOMTRADE)	Pearson Correlation	.992**	1	.796**
	Sig. (2-tailed)	.000		.000
	N	19	19	19
Total ODA received from Japan \$US Millions (OECD)	Pearson Correlation	.769**	.796**	1
	Sig. (2-tailed)	.000	.000	
	N	19	19	19

** . Correlation is significant at the 0.01 level (2-tailed).

As the correlation matrices above suggest, there is a significant positive correlation between ODA and trade flows with Vietnam and a significant negative correlation between ODA and trade flows with Thailand. There are no significant correlations between aid and trade for Lao

PDR and only a small positive significant correlation between imports and ODA in Cambodia, which may suggest why the correlation for the GMS as a whole is relatively small. Therefore, by doing separate correlations for each of the GMS countries, it appears that the positive correlation between Japan's ODA and trade flows in Vietnam, may suggest that Japanese ODA has been used to facilitate the increase in trade, which would seem to confirm Osei's (2004) theory on aid facilitating trade. The positive correlation for both imports and exports would also seem to fit with the research conducted by Johansson & Pettersson (2009). The high levels of both ODA and trade in Vietnam, would at least suggest that Japan has specific vested interests in Vietnam, over some of the other GMS economies. The next section will explore these interests in greater detail.

Chapter 6 - Qualitative Analysis

Commercial Interests

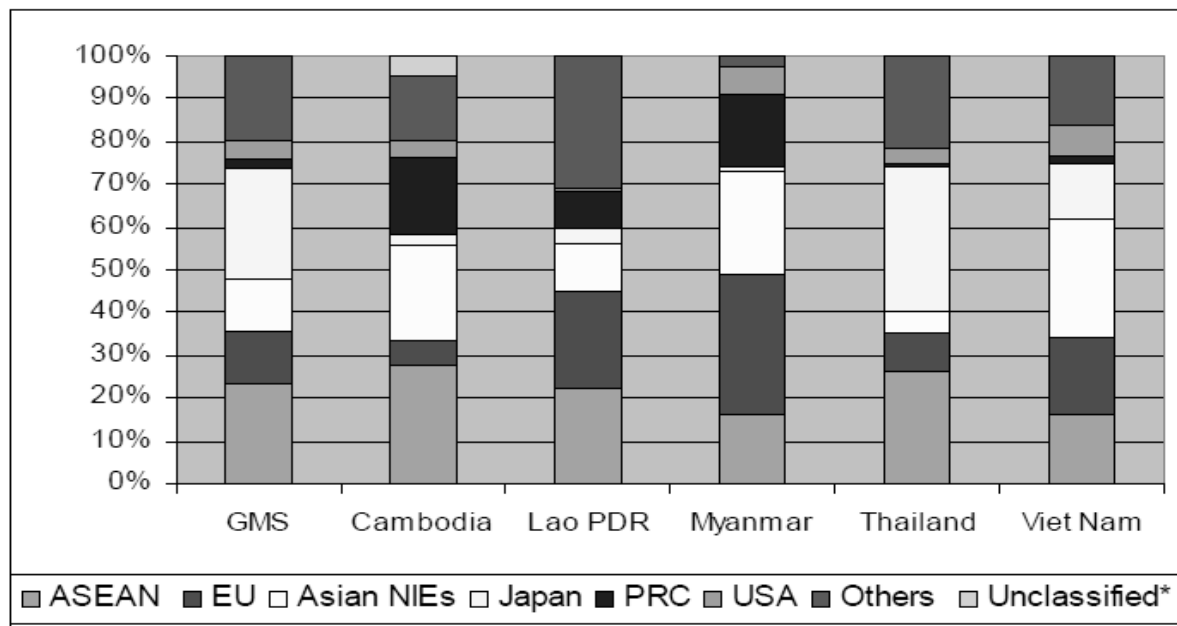
In understanding the motivations and interests shaping Japan's role in the Vietnamese economy, through its bilateral ODA and projects within the GMS, it is first important to understand and highlight the commercial interests involved between both countries. Within this research commercial interests will be taken to mean the economic advantages for the Japanese government and Japanese Multinational Enterprises (MNEs), related to cost-effective and value-added production. The interaction of interests between the private sector and the Japanese government have been integral in shaping Japanese foreign policy, aid allocation and subsequently the projects undertaken by the GMS. Japanese ODA is seen as a tool for creating a favourable investment environment for Japanese companies³. The assumption that Japanese ODA is used to further these commercial interests appears to match the neo-realist theories on foreign aid allocation, whereby states attempt to maximise their power and improve their hegemonic status within an anarchic international system (Mearsheimer 2001). Therefore any benefits for recipient countries, either through technology transfers, increased regional integration or economic development would be regarded as by-products of Japanese interests being secured. Some scholars have even argued that 'Japan's aid policy is simply a continuation of her domestic post-war economic recovery strategy; that is, concern for her domestic prosperity and security (Cooray & Shahiduzzaman 2004:2). However, for the purposes of this research, a more moderate formulation of neo-realist ideas will be used, suggesting that Japan assigns a clear priority to its national interests,

³ Interview with a representative from the Vietnam Development Forum

either commercial or geopolitical, in its aid allocation but that developmental and humanitarian interests are also significant factors. Nevertheless, commercial interests and the assumption that ODA is used to facilitate investment and influenced by profit-maximising Japanese MNEs are still fundamental components of its foreign policy and they require a deeper analysis in order to understand ODA projects within the GMS framework.

One way in which this assumption about Japanese ODA allocation can be analysed further is to look at the relationship between ODA and FDI within the region and the factors that are underpinning this FDI. If ODA is simply used to facilitate Japanese investment, then factors affecting Japanese investment may hold some explanations on the surge in ODA to Vietnam in the last decade.

Figure 6.1 - FDI Inflows into GMS Countries by Source Country, 2000-2008

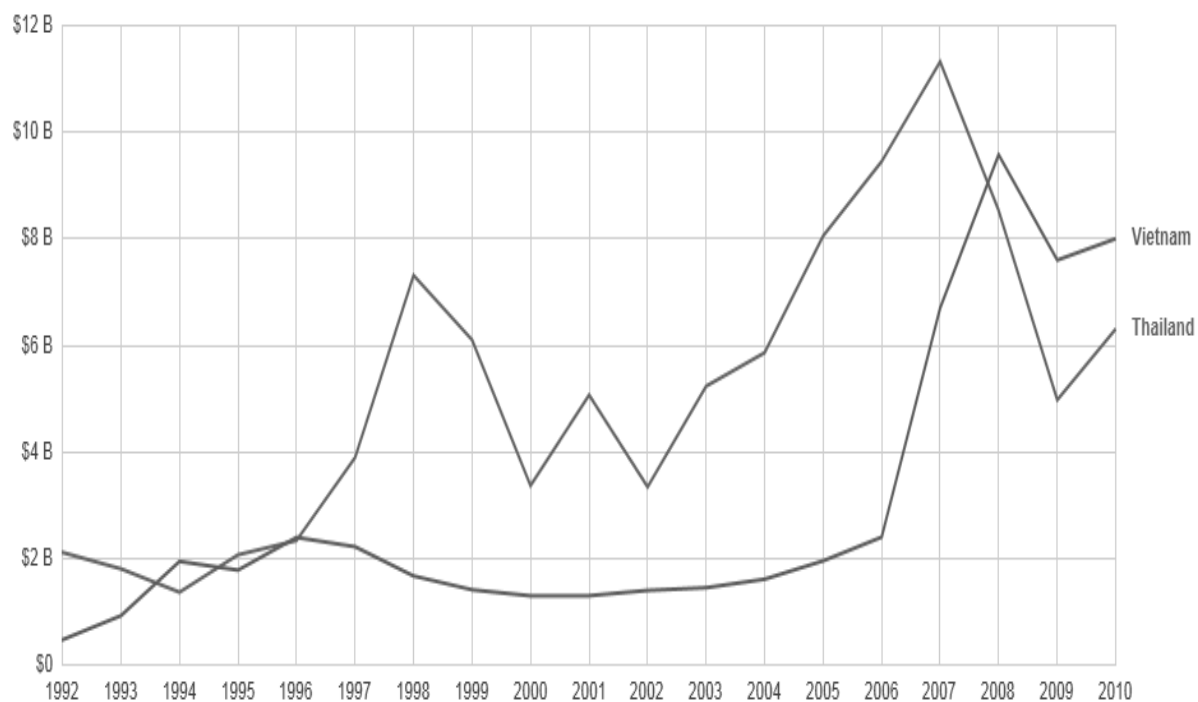


Source: Menon & Melendez (2011)

The figure above highlights the origins of FDI within the GMS economies between 2000 and 2008. It shows that across the region, Japan represents the largest percentage of FDI inflows from a single country, accounting for over 20% of all FDI within the GMS. The country receiving the largest amount of FDI from Japan is Thailand, which fits with the premise that ODA is used to facilitate FDI, considering the large amounts of ODA Thailand received from Japan during the 1980s and 1990s. In addition to this, 'foreign investors have been attracted by Thailand's relatively strong manufacturing sector, along with its status as the second

largest domestic market in the region (18% of total ASEAN GDP in 2009) with 67 million consumers' (Thomsen et al 2011: 33). Although the percentage of Japanese FDI in Vietnam is much lower than the Thai figure, it represents the country with second largest percentage of Japanese FDI for this period, and is significantly greater than the other three GMS members. However, in keeping with Japan's policy of risk diversification in its FDI, which has benefitted many South East Asian countries in the past vis-à-vis China, the last few years have seen Japanese companies relocate from Thailand to Vietnam. The political turmoil in Thailand over recent years, as well as shocks to its economy during both the Asian and Global financial crises, of 1997 and 2008 respectively, has meant that 'Thailand's national attractiveness, seen in a regional context is being questioned as some neighbouring countries such as Vietnam continue to sharpen their competitive edge' (Hoyrup & Simon 2010:40). From the graph below, it shows that in terms of total FDI net inflows, Vietnam has now overtaken Thailand, which may suggest that Japanese ODA received in the last decade is starting to pave the way for increased investment.

Figure 6.2 Total FDI inflows into Vietnam and Thailand, 1992-2010

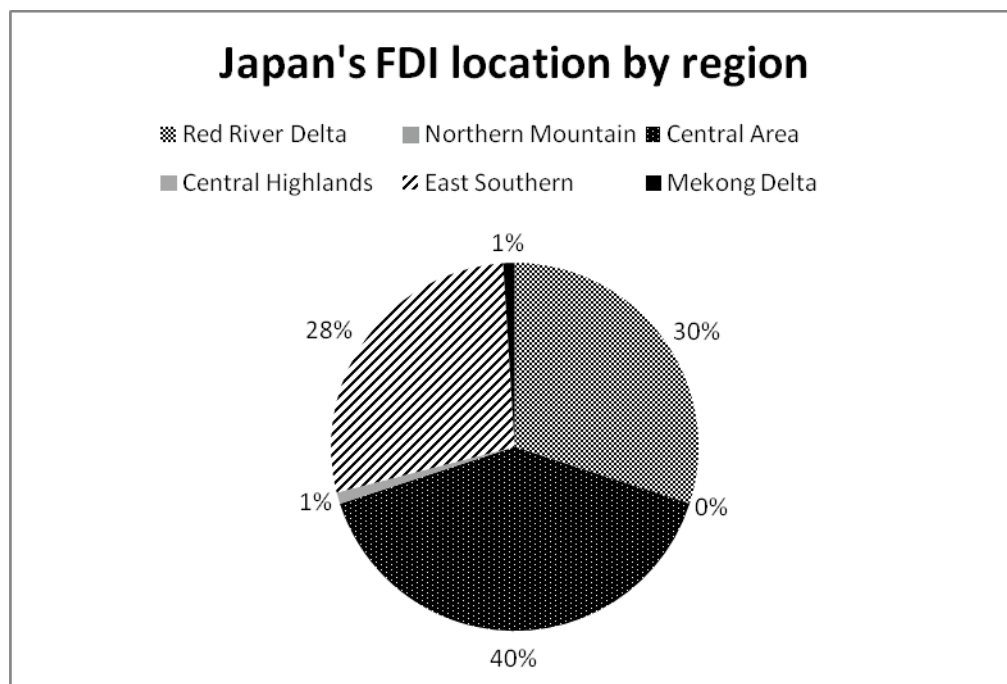


Data Source: IMF (2012)

Currently, Japan is the fourth largest investor in Vietnam and in the first two months of this year alone, of the \$1.2 billion of FDI inflows into the country, 80% came from Japanese

investors (Vietnam News 29/02/2012). The majority of Japanese investment is within the manufacturing sector with large MNEs such as Toyota, Honda, Canon and Sumitomo adding to the vast international production networks that Japanese companies have created across South East Asia. However, a closer inspection of this increase in Japanese FDI into Vietnam reveals that there is an uneven distribution of FDI geographically with the majority of investment being directed to specific areas of Vietnam.

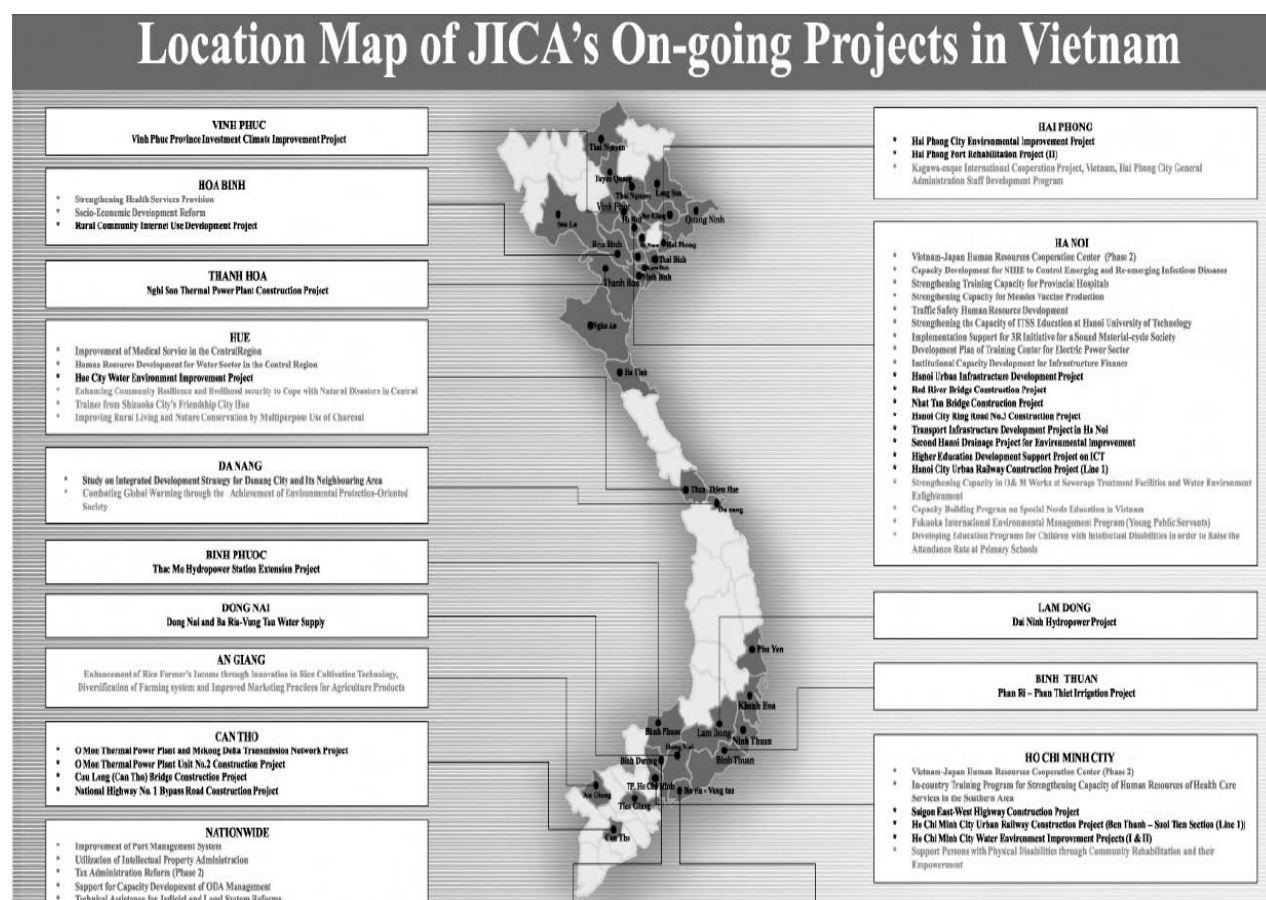
Figure 6.3 – Japan’s FDI location by region, Vietnam



Source: Ha Thi Hong Van (2010)

The figure above shows the destinations of Japanese FDI within Vietnam, with the top three areas being the Central, Red River Delta and East Southern areas, which make up around 98% of all Japanese FDI into the country. If this is then compared to the map of ongoing ODA projects from the Japan International Cooperation Agency (JICA), it shows that these same areas are where the majority of Japanese ODA projects are being directed.

Figure 6.4 – Location Map of JICA's On-going Projects in Vietnam



Source: JICA (2008)

If Japanese ODA were to follow neo-liberal assumptions, targeting poverty reduction, then ODA would be directed towards less developed areas of Vietnam such as the Central Highland, Northern Mountain and Mekong Delta areas. Instead the areas in which ODA is directed appears to correlate to areas with high Japanese FDI, and therefore affirms the ideas that Japanese ODA is simply a tool for creating a more favourable investment environment for Japanese companies. When we consider this within the context of the GMS, it appears that the economic corridors and transnational infrastructure projects financed by Japan in the region are linking up these areas of high investment to other economic hubs in the region, such as Bangkok, rather than creating infrastructure that integrates the rural areas to the urban areas. Ishida (2007) argues that the section of the East-West economic corridor being focussed on the most is the 406km stretch between Kuchi Narai, Thailand and Dong Ha, Vietnam as this forms an integral part of the route between Bangkok and Hanoi, even though it only accounts for 27.9% of the corridor (2007:4).

Therefore, there appears to be a significant link between Japanese ODA and FDI in Vietnam, which would suggest that commercial interests have a role to play in Japanese aid allocation and its interests in promoting regional integration in the GMS. However, this does not fully explain the differences in ODA disbursements across the region, and more specifically why Vietnam has become a major recipient of Japanese funds, with respect to commercial interests. A good starting point to analyse the increased commercial interests of Japan in Vietnam, could be the role of labour costs as this is often cited as a core explanation for Japanese investment preferences in South East Asia. Ravenhill (1998) argues that due to increases in the cost of labour, land and other factors of production, coupled with the currency appreciations from the 1985 Plaza Accord, prompted Japanese companies ‘to relocate some aspects of their manufacturing in lower cost countries and to change patterns of trade’ (Barker & Goto 1998:262). The table below shows the differing wage levels across Asian countries which receive substantial Japanese investment.

Figure 6.5 – Wage Overheads in Emerging Asia

Wage Overheads in Emerging Asia			
Country	Avg. minimum annual salary (worker, Intl. dollar)	Avg. mandatory welfare (% against salary)	Total labor cost (Intl. dollar)
Bangladesh	798	n/a	798
Cambodia	672	n/a	672
China	1,500	50	2,250
India	857	10	943
Indonesia	1,027	6	1,089
Laos	1,057	9.5	1,157
Malaysia	4,735	23	5,824
Mongolia	2,004	n/a	2,004
Myanmar	401	n/a	401
Nepal	1,889	n/a	1,889
Pakistan	984	7	1,052
Philippines	2,053	9.4	2,246
Sri Lanka	1,619	n/a	1,619
Thailand	2,293	6.9	2,451
Vietnam	1,002	15	1,152

Source: IMF World Economic Outlook, October 2010

From the table it is clear that Vietnam offers one of the lowest labour costs for investors, especially in comparison to its major competitors such as Thailand and China. It has allowed them to gain FDI which previously was directed towards Thailand as ‘the Japan External Trade Organization (JETRO) reported in December 2007 that Japanese companies are relocating production bases to Vietnam to take advantage of lower operating costs and to avoid political turmoil’ (Nidhiprabha 2009:184). China is also facing similar issues as

‘Japanese firms are moving out of China, where labour costs have increased sharply and the Yuan has risen in recent years, to other countries, including Vietnam, where production costs are lower’, therefore allowing Vietnam to benefit from Japan’s risk diversification ‘China plus one’ policy (Thanh Nien News 09/03/2012). In addition to this, JETRO provide regular surveys on Japanese business interests in Asia which also highlight Vietnam’s relatively good position with low operational costs regarding oil prices, taxation and transportation costs (JETRO 2011). Although cheap labour and other operational costs are often given as a general explanation for Japanese investment opportunities, Vietnam is by no means the cheapest destination to produce within the GMS, with Cambodia, Lao PDR and Myanmar all offering lower labour costs, and some more developed cities such as Bangkok and Kuala Lumpur offering cheaper rent and lower social security burdens than Hanoi, Ho Chi Minh or Danang (JETRO 2011). Therefore, labour costs alone cannot fully explain the prioritisation of Japanese ODA and investment flows into Vietnam, although are certainly considered a significant factor in creating an attractive destination for investment⁴

Another commonly cited factor in Japanese investment allocation is its status as a resource poor country, and that ODA, and subsequently FDI, is often allocated to countries which have large supplies of natural resources to offer. This account would certainly fit with neo-realist explanations of aid allocation, whereby Japanese activity within the GMS could be seen to stem from its desire to secure natural resources. This is reflected in the post Second World War aid policies of Japan, which regarded South East Asia as an important supplier of natural resources, and is often used today to explain Chinese economic activities in Africa. Other South East Asian countries, such as Indonesia, which have received large amounts of ODA from Japan over the last 50 years, are often used as an example of this relationship. Not only is Indonesia rich in natural resources such as palm oil, timber and natural gas but it also the straits of Malacca and Lombok are essential shipping routes for Japanese imports of Middle Eastern oil (Trinidad 2007:115). However, if we examine this proposition for the case of Vietnam, the need to secure natural resources appears less significant. Although Vietnam is among one of the world’s largest producers of primary commodities such as coffee, rice, tea and rubber, agriculture as a percentage of GDP has steadily decreased over the last two decades and the majority of Vietnamese exports are manufacturing products, which made up 67.7% of total exports in 2010 (CIEM 2010:26). From the table below it can be seen via the composition of Vietnamese exports to Japan that a large proportion are primary products such

⁴ Interview with a representative from the Vietnam Development Forum

as crude oil, seafood and wood products. The Nghi Son Refining Project set up in 2009 in the central province of Thanh Hoa under a joint venture among Petroleum Vietnam Corp., Kuwait Petroleum Corp., Idemitsu Kosan Co. and Mitsui Chemicals Co. is a good example of a Japanese funded project which is benefitting from the procurement of natural resources in Vietnam (Ha Thi Hong Van 2010:257).

Figure 6.6 – Major Export Goods from Vietnam to Japan (\$US)

Product	2002	2003	2004	2005	2006	2007
Coffee	15,594,310	18,564,228	20,608,073	25,938,654	44,922,864	76,421,643
Rubber	10,447,056	11,985,982	15,091,520	16,434,213	23,822,887	-
Tea	2,987,807	3,849,867	1,357,427	1,235,139	1,084,457	844,599
Cooking Oil	3,037,392	2,143,636	2,956,781	5,342,298	4,332,353	10,085,236
Crude Oil	249,857,257	319,778,796	321,199,999	572,541,999	719,474,817	1,013,037,945
Electric Wire and Cable	174,101,518	240,794,336	350,648,124	472,728,553	588,543,126	662,810,715
Toys	3,144,445	2,416,884	3,896,689	3,777,857	2,763,863	6,571,616
Shoes	950,766	61,604,693	70,561,779	93,720,958	113,130,304	114,750,420
Rice	950,776	8,109,618	16,064,989	53,424,015	43,095,581	18,718,676
Seafood	555,441,639	651,314,368	796,545,806	819,989,796	844,312,957	753,593,218
Garment products	489,950,293	478,190,534	531,091,911	603,902,005	627,631,744	704,729,715
Vegetables and fruits	14,527,046	16,709,739	22,104,706	28,991,131	27,572,623	26,426,348
Art and crafts products	43,176,397	48,161,999	48,859,733	27,610,589	24,047,274	25,505,591
Cashew	5,138,418	2,853,789	5,117,896	4,127,872	3,257,613	3,920,726
Pepper	635,463	358,992	380,507	793,428	1,657,927	5,816,060
Computers and components	57,110,339	98,850,183	76,120,048	252,965,881	245,918,426	269,329,940
Noodles	183,276	222,132	1,486,274	2,493,423	535,586	657,677
Cinnamon	1,512,838	1,867,005	701,999	688,652	458,787	689,251
Wood products	128,396,330	137,912,952	180,016,167	240,873,378	286,799,143	307,086,222
Plastic products	30,164,962	42,068,886	61,287,499	98,431,213	106,466,209	126,918,465
Coal	48,502,117	58,404,726	103,343,949	16,908,999	164,263,458	133,558,600
Bike and bike parts	9,883,490	2,570,551	1,312,776	877,881	1,344,522	2,020,469
Bags, hats, umbrellas etc.	-	-	-	50,209,829	47,494,855	62,466,960
Jewelry	-	-	-	12,824,408	15,340,592	21,060,607
Potteries	-	-	-	20,120,139	13,465,845	33,293,012
Total	2,438,143,822	2,909,150,945	3,502,361,544	4,411,186,786	5,232,133,722	6,069,757,591

Source: Ha Thi Hong Van (2010)

Nevertheless, the majority of Japanese FDI in Vietnam is within the manufacturing sector and a large proportion of exports back to Japan are made up of value-added products such as garment products or supply chain components such as electric wires, cables and computer

parts. According to recent JETRO surveys, contrary to Vietnam offering a large supply of natural resources, a frequent concern of Japanese companies based in the country is the procurement of raw materials and lack of domestic supporting industries. In addition to this Vietnam is one of the few host countries for Japanese companies in Asia where the majority of raw materials and parts procured for manufacturing are imported from Japan rather than sourced domestically (JETRO 2011:37). These difficulties faced by Japanese companies highlight the importance of improved transnational infrastructure to other parts of South East Asia, where raw materials can be procured more easily and industries in Vietnam can be linked up to supporting industries throughout the GMS.

Finally, when examining Japanese commercial interests in Vietnam within a regional context, one must also consider the geographical advantages of Vietnam over some of its neighbours. The significant link between the areas in which both FDI and ODA are being directed would suggest that geographical considerations are also an important factor in Japan's increased investment in Vietnam. As well as being the closest GMS member geographically to Japan, Vietnam can also be considered a gateway to both China and the remaining members of the GMS and beyond through the development of the economic corridors. Perhaps the most significant, and arguably the most advanced, economic corridor within the GMS is the East West Economic Corridor (EWEC) which links the international port of Danang, Vietnam through Lao PDR and Thailand to the Dawei seaport in Myanmar. This effectively bisects the region, creating a transportation link between the Indian Ocean and the South China Sea. Therefore for Japanese companies, Vietnam represents the geographical entry point of this economic corridor. The Japanese government has placed primary priority on the EWEC through ODA projects under the GMS and the economic corridor is now often mentioned in daily newspapers in Japan as several logistics companies have discovered the burgeoning business opportunities available for investment in this region (Ishida 2007:3). The commercial benefits for Japanese companies in developing the EWEC can be seen in the potential reduction of transportation costs as well as providing the shortest land route between the Indian and the Pacific Ocean. This is significant in that Japanese oil imports from the Middle East would only take 3 days to travel by land from Myanmar to Vietnam, rather than the 10 day journey by sea, passing through the Malacca straits which have experienced numerous problems with piracy and are expensive to police (Charoensri 2010:7). In this respect the EWEC can be seen as both time and cost effective for Japanese commercial interests.

Developmental interests

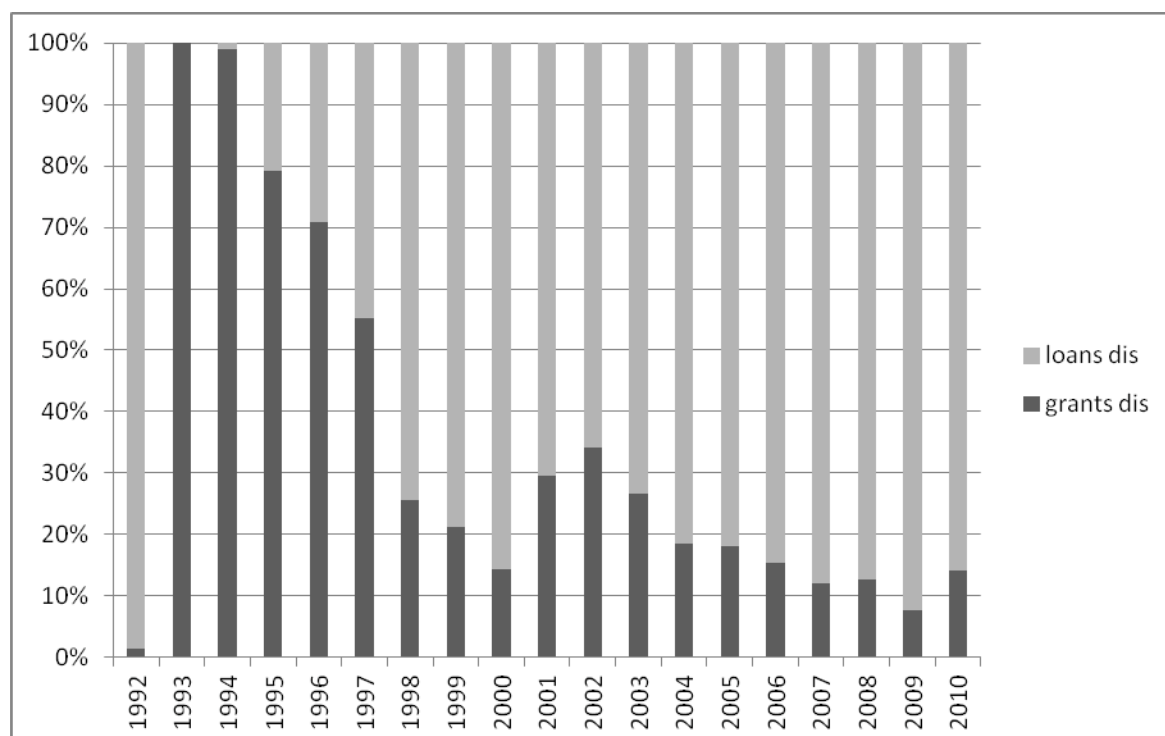
The neo-realist explanations of Japanese aid allocation, whereby ODA is used primarily as a tool to create a favourable investment environment for Japanese companies, certainly goes some way to explain its prominence in Vietnam and emphasis on transnational infrastructure projects. However, it is also important to consider the developmental interests with this relationship, as the objectives of the GMS may also be considered as complementary to ASEAN's objective to close the development gap between mainland and archipelago South East Asia by 2015, under its ASEAN Economic Community (AEC) project. In keeping with more neo-liberal ideas, it is often argued that the aim to make 'aid more effective is at the core of all development assistance' and that donors and recipients must 'coordinate to align with every country's specific priorities, as well as with the development goals' (Nallari & Griffith 2011:133). In this respect, recipient countries which are considered effective in their aid management are often seen as more favourable countries to invest in. Vietnam is popular among multilateral and bilateral donors as it is perceived as an 'effective' user of aid and has subsequently become the world's third largest aid recipient (Forsberg 2008:191). Since the establishment of the Millennium Development Goals in 2000, there have been many international initiatives that have aimed to outline what it means to be an aid effective country as a guideline for both donors and recipients. The Paris Declaration on Aid Effectiveness in 2005 set out five principles by which progress in aid management would be assessed; ownership of aid projects in the recipient country, alignment of aid projects to national development strategies, harmonization of donor actions, managing resources for development results and the mutual accountability of both donors and recipients (Nallari & Griffith 2011:158).

In respect to aid effectiveness, one of the key turning points in Vietnam's economic transition, which is often cited as an important factor in the increase in Japanese ODA to the country, is the change in its status from a lower to middle income economy in 2009⁵. Although on the surface this may appear to be contradictory to traditional developmental interests, whereby economies with higher incomes should receive less foreign aid, the transition in income status has meant a shift in the type of ODA from grants to loans or partnership based funding. Within Vietnam the management of ODA grants is perceived as ineffective as procedures and monitoring of the grant differ depending on the donor and

⁵ Interviews with representatives from IPSARD and CIEM

triangulation of costs involved are not required, therefore creating high corruption and low accountability⁶. Therefore, in the case of Japan, grant based ODA may be perceived as high risk, ineffective and will produce low economic returns for both Vietnam and Japan. However, with loan based ODA in Vietnam, there is a greater harmonization of the management system, whereby all ODA collectively has to follow domestic regulations which have a stricter monitoring system, external financial auditing, higher transparency and greater accountability⁷. This can therefore be seen to fit with the principles outlined at the Paris Declaration on Aid Effectiveness, as it allows for greater ownership, management and accountability of aid received by Vietnam. The higher interest rates associated with loan based ODA also increase ownership of the aid from Vietnam as there is an added importance to use their aid effectively if they are paying for it. Japan also stands to benefit as it is a profitable and safe investment, ‘with an interest rate of more than 1.8 per cent [...] the debts which Vietnam has to pay in the future years are not small, and this is to the direct benefit of Japan’ (Dung 2007:164).

Figure 6.7 – Composition of Japanese ODA to Vietnam, 1992-2010



Data Source: OECD (2012)

⁶ Interview with representative from IPSARD

⁷ ibid

The graph above shows how the composition of Japanese ODA to Vietnam, between grants and loans, has changed since the establishment of the GMS. Although it may be too early to assess fully the impact of the change in status to a middle income economy on Japanese ODA, it appears that grant based aid has been steadily falling since the GMS began in 1992. This may also be interpreted as a result of increasingly efficient aid management by Vietnam and an increase in the proportion of loan based ODA should have a beneficial impact on the country's development. However, the lower risks associated with the management of loan-based ODA are not always the case, as a high profile case of corruption caused Japan to momentarily freeze all loan-based ODA to Vietnam in December 2008. Four officials from a Japanese based consultancy firm were arrested and indicted on a charge of bribing foreign public servants in return for consultancy contracts on the East-West Highway Project in Ho Chi Minh City (MOFA 2009).

Through the numerous GMS projects and bilateral ODA funded by Japan in Vietnam the strong emphasis on the development of infrastructure as the key to improving prosperity, as well as improving regional integration in Vietnam, appears to encapsulate more general developmental interests, as well as the commercial interests previously outlined. Regarding transport infrastructure, Japan's investments can be seen to fit into the modernization development paradigm, whereby improved transport infrastructure reduces transport costs in the host countries, creating a favourable environment for trade and FDI, which in turn can be considered the engine for economic growth. Therefore, emphasizing transport infrastructure's importance in development can be seen as a strategic way of promoting economic growth. It has also been noted that 'there are vast differences between countries and also between regions within countries with respect to availability of transport provision and levels of development' (Hilling 2002:80). On this basis, Japan has emphasized the importance of transport infrastructure in development through its promotion of the EWEC and other economic corridors. Since the establishment of these economic corridors in the GMS, many scholars (Edmonds & Fujimura 2008, Strutt & Lim 2005, Bafoil & Lin 2010) have emphasized their success in providing development, based on the significance of trade in generating economic growth. Edmonds & Fujimura's (2008) study into the role of cross-border infrastructure in the regional integration of the GMS states that 'infrastructure in the GMS has had a discernible positive effect on regional trade' (2008:169). From this perspective it can be deduced that infrastructural projects in the GMS, which Japan is a significant financier of, are essential elements to its success in progressing regional integration.

It has also been stated that ‘international trade and associated policy reform should be a key area of focus for those interested in alleviating poverty and achieving sustainable development in the GMS’ (Strutt & Lim 2005:17).

However, as with most development strategies underpinned by modernization theory, their disadvantages tend to come from the unequal distribution of any economic growth generated. It is important to note that targeting economic growth, such as Japan’s infrastructure projects, fails to take into account that ‘development is a multi-dimensional concept which embraces multifarious economic and social objectives’ and that in addition to economic growth, ‘the distribution of income, the provision of basic needs and the real and psychological well-being of people’ must be included in development strategies (Thirlwall 2002:44). In comparison to studies promoting these infrastructure projects, very few have studied the socio-economic impacts of infrastructural development within the GMS and subsequently the shortcomings of aid policies that are underpinned by modernization theory. Stone et al. (2009) has attempted to analyse some of the impacts and notes that these large infrastructure projects tend to have a greater positive effect on urban households and skilled wages, rather than rural households and unskilled wages. In this respect a more structural approach to poverty can be adopted, whereby large infrastructure projects do little to change the marginality of rural, unskilled labour within an economy. This appears to fit with the idea of marginality as a reflection of ‘a lack of integration into capitalist society’ and would, therefore, be reinforced as urban households became richer and further enlarge the difference between the core and the periphery (Clarke 2002:93). As well as the issues of inequality and unequal distribution, some scholars have also challenged the ideas of integration and connectivity as core components of sustainable development, as propagated by Japan. Although tourism, investment and employment can have positive social benefits for people within the region, other social issues such as human trafficking, prostitution and HIV/AIDS have all been cited as increasing problems as a result of improved connectivity through transport infrastructure within the GMS region (Fujita & Takahashi 2010:93).

Moreover, this priority on infrastructural development as an integral component of regional integration, and subsequently economic development, is somewhat limited considering the specific infrastructure projects financed by Japan. For countries such as Vietnam, Lao PDR, Cambodia and Myanmar, a large obstacle for connectivity is the lack of domestic integration, through rural infrastructure, which is imperative to providing links to markets for the rural areas. In the case of Lao PDR, ‘the benefits of integration with

international markets have not been dissipated throughout the Lao economy, as domestic market integration remains low' (Andersson et al 2007:2). When examining infrastructural development in Vietnam, a similar problem occurs as even though the GMS has made great progress in creating transportation links between major economic hubs in the country, rural infrastructure remains relatively under-developed and therefore the extent to which Vietnam is becoming integrated into the region is fragmented. If Japan had developmental interests at the core of its aid policies, it would be thought that more funding would be provided for rural infrastructure in Vietnam, but in reality the majority of financing comes from the national government and there is little private sector interest at the rural level⁸. It appears that without the additional commercial interests offered by more national and transnational infrastructure projects, there is little interest and subsequently no external funding for rural infrastructure. Despite the priority attached to infrastructure by the Vietnamese government through its new \$400 billion infrastructure plan, there is low alignment between projects on different geo-spatial levels and, more often than not, national and transnational infrastructure is prioritised over rural⁹. In addition to problems associated with rural integration, linking the periphery areas of Vietnam to more commercially affluent areas, obstacles also exist in more international forms of integration embedding Vietnam within the global economy. Large scale international integration, such as meeting the objectives set by the World Trade Organization (WTO), requires extensive changes to domestic institutions, fundamental market reforms and amendments to existing laws, which will undoubtedly take a considerable length of time¹⁰. This would suggest that GMS integration promoted by Japan remains a relatively isolated form of integration, with little domestic integration underpinning the projects in each of the member countries and few objectives aimed at contributing to a more comprehensive form of international integration. Therefore, the extent to which the GMS can be seen as a building bloc to regional integration is somewhat limited. Alternatively, Japan could be seen to be adopting the most viable option of integration for Vietnam by spearheading the GMS project. As the most feasible geo-spatial level of integration for the member states, the GMS could be seen as incorporating the developmental interests of Japan to close the development gap in South East Asia whilst also offering some economic returns for Japan.

⁸ Interview with representative from VCF

⁹ *ibid*

¹⁰ Interview with representative from CIEM

Geopolitical interests

Until now the interests explored behind Japan and Vietnam's economic relationship have been relatively bilateral and isolated within a regional context. In this final part of the analysis, Japan's interests in promoting integration and aid allocation will be considered within a regional context by exploring the rise of China as an economic superpower and its significant impact on Japanese foreign policy. The geopolitical interests of Japan within the GMS can be analysed from both neo-liberal and neo-realist perspectives, and therefore seem to fit with the mixed neo-realist framework of this research.

Japan's proactive involvement in promoting the GMS can be seen to fit into a more general policy towards South East Asia, which attempts to both accommodate and balance China's increasing prominence in the region (Trinidad & Yoshimatsu 2010:216). The interplay between cooperation and competition with China has therefore affected the progress of the GMS, compared to other regional integration initiatives, and has also affected the skew in aid allocation between Japan and each of the GMS countries. In the case of Vietnam, rather than viewing China as an alternative external actor which can help facilitate integration, the widespread opinion is that 'with the increasing Chinese domination of the GMS region, Vietnam sees its own autonomy and sovereignty increasingly threatened' (Wade 2010:9). However, this does not seem to be the case with Japan, as they appear to be a more trusted economic partner and donor for Vietnam and China's contribution to Vietnam's integration through aid or investment is viewed as insignificant¹¹. This may also lie in the fact that Vietnam tends to view the GMS as a building bloc of regional integration, with increased integration into ASEAN as a primary objective. Japan's desire for increased integration in ASEAN, and the formation of an economically strong regional bloc fits with its ideas on balancing China's economic strength in East Asia and would therefore seem to mirror Vietnam's integration objectives. Thailand, as a core member of the original ASEAN-6, is also keen to promote these objectives and places a high priority on an integrated South East Asia as more important than integration with China. However, this view is not shared across the other GMS economies, as Cambodia, Lao PDR and Myanmar have all received large amounts of aid and investment from China, leading some to argue that these countries are 'already virtual client states of China [...], increasingly tied (and in some ways beholden) to the economic behemoth to the north' (Wade 2010:13). In this respect integration between

¹¹ Interview with a representative from CIEM

GMS countries, and ultimately within ASEAN, may be seen as less significant for these countries than integration with China, due to the immediate economic benefits offered, and therefore may go some way to explain their relative insignificance in Japanese aid and investment allocation compared to Vietnam and Thailand.

Historically, Japan's role in East Asian regionalism is often related to its position vis-à-vis China, with both nations competing to exert influence over their South East Asian neighbours. Throughout the Cold War, Japan's focus was more on establishing pan-Pacific linkages with allies such as the US, Australia and New Zealand. However post Cold War, changes in the international system which saw the amelioration of global production networks and the economic rise of China, shifted Japan's focus towards promoting its relationship with South East Asia, and especially the countries of the GMS. During this time Japan played an integral role in the establishment of many regional frameworks, such as East Asia Summit (EAS) or the Asia Pacific Economic Cooperation (APEC). Although these can be seen as key developments in the regionalism of East Asia; Japan's motives in setting up these frameworks could be seen as an attempt to counterbalance the power and influence of China in the region by the inclusion of powerful allies such as the US, Australia, New Zealand and India in regional affairs (Shirashi 2009:26). In the wake of the Asian Financial Crisis, Japan also proposed the idea of an Asian Monetary Fund, to help address the needs of Asian countries that the IMF could not provide for. However this was opposed, not only by China who feared it would enhance Japan's hegemony in the region, but also by the US who believed it would undermine the IMF. Having learnt from its mistakes in its previous attempts at furthering East Asian regionalism, the inclusion of the Yunnan and Guangxi provinces into the GMS, apart from their geographical position, could be seen to stem from the 'desire of Japanese leaders not to induce the Chinese leaders to view the GMS programme as a diplomatic structure potentially against China's interests' (Faure & Schwab 2008:111). Despite differences in objectives for regional integration from both countries this tactic of inclusion and participation of China appears to have worked in so far as 'China openly declares that the GMS is the most effective economic mechanism in the region' (Wade 2010:1). The commitment from both China and Japan to promoting the GMS has numerous advantages for the regional institution's progress, as long as integration objectives from China and Japan are synchronized and economic returns for both countries are considered equal. However, competition may arise, especially considering China's emergence as an aid giver and significant actor within the ADB. In this respect the growing

influence China will come to have in the ADB will mean that Japan ‘can no longer consider its private domain’ in the bank’s projects and some have argued that ‘this probably marks the end of the Nippo-American condominium on the Bank which *de facto* allowed the Japanese partner to run it’ (Faure 2010:183). Therefore, the relationship between China and Japan may determine the future of the GMS.

One area in which this interplay between competition and cooperation can be seen in the GMS, between China and Japan, is by once again considering the economic corridors. As previously stated the Japanese government has placed priority on the development of the EWEC, as it provides a strategic gateway between the Indian and Pacific Ocean and will provide crucial links between commercial centres with a high proliferation of Japanese companies. Conversely the Chinese government is putting more focus on the North South Economic Corridor (NSEC), hoping to develop high speed rail and road links between Kunming and Bangkok, which from there can be extended further to Malaysia and Singapore. Therefore ‘there appears to be a geographic division of tasks between China and Japan which will impact their own regional strategies as they compete for leadership in the GMS’ (Taillard 2010:228). Nevertheless, Japan will still stand to benefit from the development of the NSEC, and vice versa with China and the EWEC, and therefore this division of interests may be beneficial in creating pragmatic solutions to the infrastructure problems within the GMS. The development of an extensive economic corridor between Shanghai and Singapore, which is the ultimate goal of the NSEC, would be of great economic benefit for Japan as the area would encompass 70.3% of all Japanese companies located in China as well as 76.6% of all Japanese companies affiliated in ASEAN (Ishida 2007:4). Like Japan, the commercial interests for China involved with the development of these economic corridors are innumerable and despite the differences in which of these corridors is the most desirable for either Japan or China, the rapid improvement of transportation and infrastructure networks in the GMS will bring benefit to both countries. In terms of strategic perspectives, the ‘Southward’ strategy whereby China is primarily focussed on the promotion of the NSEC will support the interests of Chinese companies and provide a link from land-locked areas of Southern China to areas where deep seaports can be constructed in South East Asia¹². In this respect the promotion of economic corridors may offer an area of cooperation for both countries as they both stand to gain from reduced transport costs and increased access to

¹² Interview with representative from Chulalongkorn University

markets. Yoshimatsu (2010) argues that this is indicative of a more general pattern of development in the GMS, whereby, 'Mekong development can be regarded as a locus where self-motivated states undertake diplomatic bargains in order to attain specific national interests' (2010:77).

Chapter 7 - Conclusion

In conclusion, Japan has been a highly significant actor in both the construction and promotion of the GMS, through both the provision of ODA and indirectly through its position in the ADB. The GMS can be considered as advantageous over the other regional institutions for the Mekong economies in two different ways. Firstly, the large amount of resources available for projects has meant that real progress can be made in the provision of physical infrastructure, which is often the most costly element of regional integration programmes. Through the development of transnational economic corridors, the GMS has been able to secure funding from external donors, such as Japan, who have a vested interest in improving transportation linkages for Japanese supply chains in the region, as well as close the development gap between rich and poor areas of South East Asia. The second advantage of the GMS is its market-based approach to regionalism, which has allowed for flexibility in allocating projects to areas where demand is greatest. The lack of an institutional framework in the GMS has meant that political differences between member countries, which are often an obstacle for other institutions such as ASEAN, can be bypassed in order to focus exclusively on economic integration. Its structure as a 'top-down' form of regionalism, promoted by an external actor, also means that the interests of one member country are not propagated over others, therefore improving its legitimacy amongst all member states.

Since the establishment of the GMS in 1992, Japan has provided large amounts of funding through ODA and the JSF to help facilitate integration projects across the region, with the majority of finances being directed towards improving transportation. Historically Japan has always had a good economic relationship with Thailand, but as the former socialist economies of South East Asia have begun to participate in the global economy, Japan has started to diversify its investment locations. The strong positive correlation between aid and trade flows in Vietnam, compared to the negative correlation in Thailand, suggests that Japan has shifted its focus towards Vietnam with increasing amounts of ODA seeming to have a positive effect on trade and investment between the two countries.

By examining the economic relationship between Vietnam and Japan, it can be seen that Japanese national interests have been a primary factor in its aid allocation, and subsequently can be used to explain Japan's motivations behind constructing and promoting the GMS. ODA appears to have been used to create a favourable environment for Japanese investment, by funding infrastructure projects which lower transport costs and improve access to foreign markets. The increase in ODA to Vietnam, relative to other GMS economies, can be seen to be attributed to Vietnam's low costs of production and its geographical location as a gateway to the rest of South East Asia, as well as China. In addition to commercial interests, geopolitical rivalry with China can also be seen as a contributing factor in Japan's role within the GMS. The interplay between competition and cooperation with the two regional hegemony will undoubtedly shape the progress of the GMS in future years. Nevertheless, in understanding Japan's motivations behind its promotion of the GMS, and its increased interests in Vietnam, its developmental interests are also relevant, and are more congruent with the international consensus on foreign aid. The provision of transnational infrastructure has often been regarded as an integral factor in the high economic growth rates experienced across South East Asia in the past few decades, and therefore the GMS can be considered as a good example of developmental regionalism. Additionally, increased interests in Vietnam could be the result of increasing improvements in Vietnam's aid management and its transition from a lower income to a middle income country. However, even though the GMS is targeting developing countries, the areas in which the majority of aid is being allocated appears to be the more commercial areas, with many of the infrastructure projects focussed on linking these areas to each other. In this respect, the GMS could be considered as failing to provide development for the less developed areas in the region. Developmental interests appear to have taken a backseat to more commercial and geopolitical interests. The experiences of Vietnam can be used to highlight that for other developing countries undergoing a transition towards market economy, integration is working at three different geo-spatial levels, namely domestic, regional and international. What has become apparent in examining the role of Japan in the integration of the GMS is that for top-down regionalism it appears that regional-level integration is the most accessible form of integration, over domestic or international, as it seems to satisfy the interests of both recipient countries and significant donors.

Although Japan's aid policy seems to prioritise national interests, either commercially or geo-politically, this should not diminish the advantages associated with the GMS, despite

contrasting with the international consensus on foreign aid. Japan's role as an alternative donor to the region, compared to European, American or other international institutions, means that a diverse range of aid projects are undertaken in the region, which can be complementary. Focussing primarily on the provision of transnational public goods, whereas other donors have focussed on different factors of integration, means that a more comprehensive form of regional integration can be pursued which is more in-keeping with New Regionalism Theory. The complementary aspect of donors is mirrored in the way in which the GMS can be seen to complement other regional institutions, at different geo-spatial levels, such as ASEAN, APEC or the WTO. Therefore, similarly to the role of donors, a wider range of regional institutions, focussing on different aspects of integration, can be beneficial for all so long as participating countries have the capacity to manage these different projects. The GMS is likely to continue advancing regional integration for the Mekong economies as long as benefits are realised, Japanese interests are sustained and integration is considered desirable for member countries.

References

- Asian Development Bank (2009) '*Japan Special Fund Annual Report 2009*', Manila. (downloadable from: <http://www.adb.org/publications/series/annual-and-semiannual-progress-reports-implementation-japan-special-fund>).
- Asian Development Bank (2011) '*Partnership Brief: Cofinancing with Japan*', Manila. (downloadable from: <http://www.adb.org/publications/cofinancing-japan>).
- Asian Development Bank (2011) '*Summary of GMS Loans/Grants, by Country 1992 - 2010 (31 December)*'. Manila. (downloadable from: <http://www.adb.org/Documents/Others/GMS/GMS-Loans-31Dec2010.pdf>).
- Asian Development Bank (2011) '*ADB-Assisted GMS Technical Assistance Projects, by Sector as of December 2011*'. Manila. (downloadable from: <http://www.adb.org/Documents/Others/GMS/GMS-TAs-31Dec2010.pdf>).
- Asian Development Bank (2011) '*Economic Corridors Development: Measure of Success of the GMS Program*'. Manila. (downloadable from: <http://www.adb.org/news/cambodia/economic-corridors-development-measure-success-gms-program?ref=countries/gms/news>).
- Alesina, Alberto & Dollar, David (2000) 'Who Gives Foreign Aid to Whom and Why?', *Journal of Economic Growth*, Vol. 5(1), pp 33-63.
- Andersson, Magnus, Engvall Anders, Kokko Ari (2007) '*Regional Development in Lao PDR: Growth Patterns and Market Integration*', Stockholm School of Economics Working Paper, June 2007, No.234.
- Australian Agency for International Development [AusAID] (2010) '*Economic benefits of trade facilitation in the Greater Mekong Subregion*', Canberra: Centre for International Economics, (downloadable from: <http://www.ausaid.gov.au/publications/pdf>).
- Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (2012) 'About ACMECES' (<http://www.acmeccs.org/index.php?id=9>).
- Bafoil, François and Lin Ruiwen (2010) 'Re-examining the Role of Transport Infrastructure in Trade, Regional Growth and Governance: Comparing the Greater Mekong Subregion (GMS) and Central Eastern Europe (CEE)', *Journal of Current Southeast Asian Affairs*, Vol. 29(2), pp 73-119.
- Balassa, Bela A. (1961) '*The Theory of Economic Integration*', London: George Allen & Unwin Ltd.
- Bampton, Roberta & Cowton, Christopher (2002) 'The E-Interview', *Forum Qualitative Social Research*, Vol. 3(2), (downloadable from: <http://www.qualitative-research.net/index.php/fqs/article/view/848>).
- Barker, Brendan & Goto, Akira (1998) 'Technological Systems, Innovation and Transfers' in Thompson, Grahame (eds.) '*Economic Dynamism in the Asia Pacific*'. London: Routledge, pp 239-261.

- Bryman, Allen (2008) *'Social Research Methods'*, Oxford: Oxford University Press.
- Bryman, Allen & Cramer, Duncan (2001) *'Quantitative Data Analysis with SPSS Release 10 for Windows: A Guide for Social Scientists'*, Hove: Routledge.
- Burnell, Peter (2002) 'Foreign Aid in a Changing World', in Desai, Vandana & Potter, Robert (eds.) *'The Companion to Development Studies'*, London: Hodder Headline Group, pp 473-477.
- Central Institute for Economic Management [CIEM] (2010) *'Vietnam's Economy in 2010'*, Hanoi: Finance Publishing House.
- Charoensri, Narut (2010) *'Japan and the East-West Corridor: Intentions and Interests'*, Paper prepared for the international conference entitled "Japan and Mekong Subregion – Historical Relations" organised by the Japanese Studies Centre, University of Social Science & Humanities, National University of Vietnam, Ho Chi Minh City, Vietnam, 29-30 October 2010.
- Clarke, Colin (2002) 'The Latin American Structuralists', in Desai, Vandana & Potter, Robert (eds.) *'The Companion to Development Studies'*, London: Hodder Headline Group, pp 473-477.
- Cooray, N.S. & Shahiduzzaman, Md. (2004) 'Determinants of Japanese Aid Allocation: Econometric Analysis', *IUJ Research Institute Working Paper 2004-4*, pp 1-19.
- Coronel, Sheila & Dixit, Kunda (2006) 'Setting the Context: The development debate thirty years after What Now', *Development Dialogue*, 2006, Vol. 1, pp 13-27.
- Creswell, John W. (2007) *'Qualitative Inquiry & Research Design, Choosing Among Five Approaches'*, Thousand Oaks: Sage.
- Dent, Christopher (2008) *East Asian Regionalism*, Abingdon: Routledge.
- Dent, Christopher & Richter, Peter (2011) 'Sub-regional Cooperation and Developmental Regionalism: The Case of BIMP-EAGA', *Contemporary Southeast Asia*, Vol. 33(1), pp 29-55.
- Desai, Vandana & Potter, Robert (2002) *'The Companion to Development Studies'*, London: Hodder Headline Group.
- Dosch, Joern & Hensengerth, Oliver (2005) 'Sub Regional Cooperation in Southeast Asia: The Mekong Basin', *European Journal of East Asian Studies*, Vol. 4(2), pp 263-286.
- Dung, Nguyen Duy (2007) 'Japanese ODA for Vietnam: the Main characteristics' in Do Duc Dinh & Mills, Greg (eds.) *Vietnam and Africa: Comparative Lessons and Mutual Opportunities*, Hanoi: Social Sciences Publishers, pp 157-165.
- Faure, Guy & Schwab, Laurent (2008) *Japan-Vietnam: A relation under influences*, Singapore: NUS Press.

- Faure, Guy (2010) 'The Asian Development Bank and Chinese and Japanese Power Plays', in Faure, Guy (eds.) *New Dynamics between China and Japan in Asia: How to Build the Future from the Past?*, Singapore: World Scientific Publishing Co, pp 163-186
- Fleck, Robert & Kilby, Christopher (2006) 'How Do Political Changes Influence US Bilateral Aid Allocations? Evidence from Panel Data', *Review of Development Economics*, Vol. 10(2), pp 210-223.
- Forsberg, Le Thanh (2008) 'Vietnam: the Making of Recipient Ownership and responses to Swedish and Japanese Aid', in Jerve, Alf Morten, Shimomura, Yasutami & Skovsted Hansen, Annette (eds.) *Aid Relationships in Asia: Exploring Ownership in Japanese and Nordic Aid*, Basingstoke: Palgrave Macmillan, pp 191-208.
- Fujimura, Manabu & Edmonds, Christopher (2008) 'Road Infrastructure and Regional Economic Integration: Evidence from the Mekong', in D. Brooks and J. Menon (eds.) *Infrastructure and Trade in Asia* Cheltenham: Edward Elgar Publishing, pp 143-172.
- Fujita, Nobuko & Takahashi, Eriko (2010) 'The Socio-economic Impacts of the Second Mekong International Bridge', in Fujita, Nobuko (eds.) *Beyond Logframe; Using Systems Concepts in Evaluation*, Tokyo: Foundation for Advanced Studies on International Development.
- Gwynne, Robert N. (2002) 'Export Processing and Free Trade Zones', in Desai, Vandana & Potter, Robert (eds.) *The Companion to Development Studies*, London: Hodder Headline Group, pp 201-206.
- Ha Thi Hong Van (2010) 'Comparison of Vietnam and East Asian Countries (China, Korea and Japan) Economic Relations, In Kagami, Mitsuhiro (eds.) *Japan and Korea with the Mekong River Basin Countries*, BRC Research Report No. 3, Bangkok: IDE-JETRO
- Hatakeyama, Kyoko (2008) 'Japan's Aid to Vietnam: Becoming an Intellectual Leader?', *Japanese Studies*, Vol. 28(3), pp 345-364.
- Hettne, Bjorn (2005) 'Beyond the New Regionalism', *New Political Economy*, Vol. 10(4), pp 543-571.
- Hettne, Bjorn (2009) *Thinking about Development*, London: Zed Books, pp 1-135.
- Higgott, Richard (1997) 'De Facto and De Jure Regionalism: The Double Discourse of Regionalism in the Asia Pacific', *Global Society*, Vol. 11(2), pp 165-183.
- Hilling, David (2002) 'Transport and Development', in Desai, Vandana & Potter, Robert (eds.) *The Companion to Development Studies*, London: Hodder Headline Group, pp 80-86.
- Hoyrup, David & Simon, Jean-Christophe (2010) 'FDI in Thailand: The high road to industrial diversification revisited', In Intarakumnerd, Patarapong & Lecler, Yveline (eds.) *Sustainability of Thailand's Competitiveness: The Policy Challenges*, Singapore: Institute of South East Asian Studies, pp 1-52.
- Hveem, Helge (2003) 'The Regional Project in Global Governance', in Soderbaum, Fredrik & Shaw, Timothy (eds.) *Theories of New Regionalism: A Palgrave Reader*, Basingstoke: Palgrave Macmillan, pp 81-98.

- International Monetary Fund [IMF] (2011) '*World Economic Outlook, October 2011*', (downloadable: <http://www.imf.org/external/pubs/ft/weo/2010/02/weodata/index.aspx>).
- Ishida, Masami (2007) *Evaluating the Effectiveness of GMS Economic Corridors: Why is There More Focus on the Bangkok-Hanoi Road than the East-West Corridor?* Institute of Developing Economies Discussion Papers No. 123.
- Japan External Trade Organisation [JETRO] (2011) '*Survey of Japanese-Affiliated Firms in Asia and Oceania (FY 2011 Survey)*', October 2011, (downloadable from: <http://www.jetro.go.jp/en/reports/survey/>).
- Japan External Trade Organisation [JETRO] (2011) '*The 21th Comparative Survey of Investment-Related Costs in 31 Major Cities and Regions in Asia and Oceania*', April 2011, (downloadable from: <http://www.jetro.go.jp/en/reports/survey/>).
- Japan International Cooperation Agency [JICA] (2008) '*JICA in Viet Nam*', (downloadable from: <http://www.jica.go.jp/vietnam/english/office/others/brochure.html>).
- Johansson, Lars M. & Pettersson, Jan (2009) 'Tied Aid, Trade-Facilitating Aid or Trade-Diverting Aid?' Working Paper 2009:5, Department of Economics, Uppsala University.
- Kamminga, Menno (2007) '*Morality Under Anarchy: Neorealism and the Foreign Aid Regime*', Philica.com, Article No. 109, (downloadable from http://philica.com/display_article.php?article_id=109).
- Kilby, Christopher (2006) 'Donor Influence in MDBs: The Case of the Asian Development Bank', *Review of International Organizations*, Vol. 1(2), pp 173-195.
- Lindberg, Lena (2007) *The Regionalisation Process in Southeast Asia and the Economic Integration of Cambodia and Laos into ASEAN*, Goteborg University Series B, No. 113, pp 260-279.
- Lipsey, Richard G. (1970) '*The Theory of Customs Union: A General Equilibrium Analysis*', London: Weidenfeld & Nicolson.
- Mansfield, Edward D. & Milner, Helen V. (1999) 'The New Wave of Regionalism', *International Organisation*, Vol. 53(3), pp 587-627.
- Mearsheimer, John (2001) '*The Tragedy of Great Power Politics*', New York: Norton.
- Menon, Jayant (2005) 'Can Subregionalism or Regionalism Aid Multilateralism? The Case of the Greater Mekong Subregion and the Association of Southeast Asian Nations Free Trade Area', *Journal of GMS Development Studies*, Vol. 2(1), pp 21-37.
- Menon, Jayant & Melendez, Anna (2011) '*Trade and Investment in the Greater Mekong Sub-Region: Remaining Challenges and the Unfinished Policy Agenda*', ADB Working Paper Series on Regional Economic Integration No. 78, Manila.
- Miller, Gale & Fox, Kathryn J. (2010) 'Building Bridges: the Possibility of Analytic Dialogue between Ethnography, Conversation Analysis and Foucault', in Silverman, David (eds.) '*Doing Qualitative Research: A practical handbook*', London: Sage.

Ministry of Foreign Affairs [MOFA] (2009) 'Japan-Vietnam Joint Committee for Preventing Japanese ODA related Corruption' (downloadable from: <http://www.mofa.go.jp/region/asia-paci/vietnam/oda-related0902.pdf>).

Nallari, Raj & Griffith, Breda (2011) *'Understanding Growth and Poverty: Theory, Policy and Empirics'*, Washington DC: World Bank, pp 133-165.

Nidhiprabha, Bhanupong (2009) 'The Thai Economy after the Coup', In Funston, John (eds.) *'Divided over Thaksin: Thailand's Coup and Problematic Transition'*, Singapore: Institute of South East Asian Studies, pp 172-189.

Nye, Joseph (1971) *'Peace in Parts: Integration and Conflict in Regional Organization'*, Boston; Little, Brown and Company.

Oehlers, Alfred (2006) 'A Critique of ADB Policies towards the Greater Mekong Sub-region', *Journal of Contemporary Asia*, Vol. 36(4), pp 464-477.

Osei, Robert, Morrissey, Oliver, Lloyd, Tim (2004) 'The Nature of Aid and Trade Relationships', *European Journal of Development Research*, Vol. 16(2), pp 354-374.

Ravenhill, John (1998) 'The Regionalization of Production and Competitiveness in East Asia', in Anderson, Robert, Cohn, Theodore, Day, Chad, Howlett, Michael & Murray, Catherine (eds.) *Innovation Systems in a Global Context*, Canada: McGill-Queen's University Press, pp 174-193.

Schuurman, Frans J. (2000) 'Paradigms lost, paradigms regained? Development studies in the twenty-first century', *Third World Quarterly*, Vol. 21(1), pp 7-20.

Schuurman, Frans J. (2002) 'The Impasse in Development Studies', in Desai, Vandana & Potter, Robert (eds.) *'The Companion to Development Studies'*, London: Hodder Headline Group, pp 12-16.

Shirashi, Masaya (2009) 'Japan Toward the Indochina Sub-region', *Journal of Asia-Pacific Studies*, Vol. 13, Waseda University, pp 13-36.

Stone, Susan F., Strutt, Anna, Hertel, Thomas (2009) *'Assessing Socioeconomic Impacts of Transport Infrastructure Projects in the Greater Mekong Subregion'*, ADBI.

Strutt, Anna & Lim, Steven (2005) 'Trade Liberalization and Poverty Alleviation in the Greater Mekong Subregion', *Journal of GMS Development Studies*, Vol. 2(1), pp 1-21.

Sucharithanarugse, Withaya (2006) 'Concept and Function of the ACMECS', *South Asian Survey*, Vol. 13(2), pp 285-294.

Taillard, Christian (2010) 'Corridor Linkages in the Greater Mekong Subregion: New Implications for Peninsular and Regional Powers', in Faure, Guy (eds.) *New Dynamics between China and Japan in Asia: How to Build the Future from the Past?*, Singapore: World Scientific Publishing Co, pp 187-232.

Thanh Nien News (2012) *'Vietnam in pole position to attract Japanese investment'* [Online], (downloadable from: <http://www.thanhniennews.com/index/pages/20120309-vietnam-in-pole-position-to-attract-japanese-investment.aspx>).

Thirlwall, A.P. (2002) 'Development as Economic Growth', in Desai, Vandana & Potter, Robert (eds.) *The Companion to Development Studies*, London: Hodder Headline Group, pp 41-44.

Thomsen, Stephen, Otsuka, Misuzu & Lee, Boram (2011) 'The Evolving Role of South East Asia in Global FDI Flows', *Asie Visions*, 40, July 2011, pp 1-53.

Trinidad, Dennis (2007), 'Japan's ODA at the Crossroads: Disbursement Patterns of Japan's Development Assistance to Southeast Asia', *Asian Perspective*, Vol. 31 (2), pp 95-125.

Trinidad, Dennis & Yoshimatsu, Hidetaka (2010) 'Development Assistance, Strategic Interests, and the China Factor in Japan's Role in ASEAN Integration', *Japanese Journal of Political Science*, Vol. 11(2), pp 199-219.

Vietnam News (2012) 'Support industries seen as key to drawing investment' [Online], (downloadable from: <http://vietnamnews.vnagency.com.vn/Economy/221478/support-industries-seen-as-key-to-drawing-investment.html>).

Viner, Jacob (1950) *The Customs Union Issue*, London: Steven.

Wade, Geoff (2010) 'ASEAN Divides', (downloadable from: <http://asiapacific.anu.edu.au/newmandala/2010/12/23/asean-divides/>).

Wan, Ming (1995) 'Japan and the Asian Development Bank', *Pacific Affairs*, Vol. 68(4), pp 509-528.

Willis, Katie (2006) 'Interviewing' in Desai, Vandana & Potter, Robert (eds.) *Doing Development Research*, London: Sage, pp 144-152.

Wolcott, Sara J. & Haddad, Lawrence (2011) 'Reimagining Aid for the Next Ten Years: What do Donors Think?', *IDS Bulletin*, Vol. 42(5), pp 81-86.

World Bank (1993) *The East Asian Miracle: Economic Growth and Public Policy*, New York: Oxford University Press.

Yoshimatsu, Hidetaka (2010) 'The Mekong Region, Regional Integration, and Political Rivalry among ASEAN, China and Japan', *Asian Perspective*, Vol. 34(3), pp 71-111.

Statistical Databases

Organisation for Economic Cooperation and Development [OECD] (2011) - <http://stats.oecd.org/>

United Nations Commodity Trade [UNCOMTRADE] (2011) - <http://comtrade.un.org/db/>

World Bank (2011) - <http://data.worldbank.org/>

Interviews

Interview with a representative from the Vietnam Development Forum, Hanoi – 17/02/2012

Interview with a representative from the Vietnam Challenge Fund, Hanoi – 21/02/2012

Interview with a representative from the Institute of Policy and Strategy for Agricultural and Rural Development, Hanoi - 22/02/2012

Interview with a representative from the Central Institute for Economic Management, Hanoi – 23/02/2012

Interview with a representative from Chulalongkorn University [e-interview]