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Understanding Climate Change Diplomacy

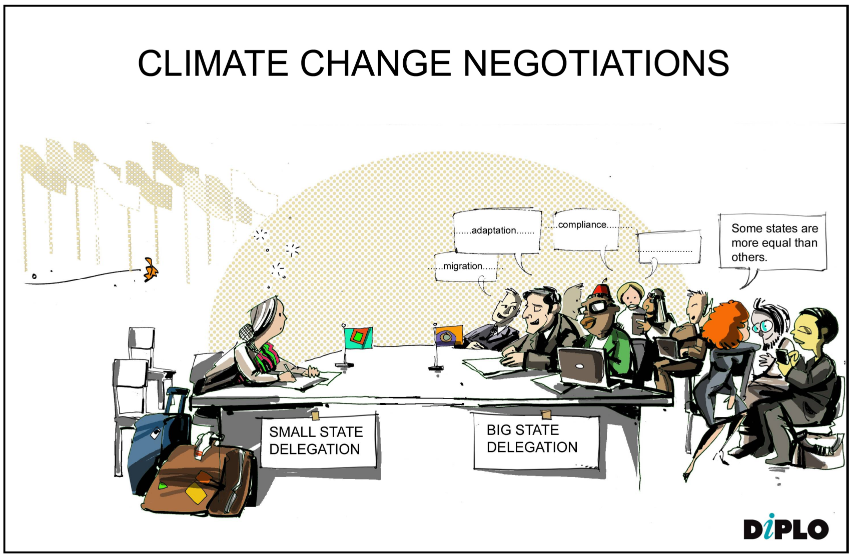
By
Wan Portia Hamzah
Senior Fellow, ISIS Malaysia

Climate change is often quoted as 'a fundamental threat to development in our lifetime'. The recently released Eleventh Malaysia Plan acknowledges that 'climate change continues to be a major threat as it adversely impacts economic and social development gains and deepens economic inequalities'.

Climate change is 'a core development challenge that carries potentially serious implications for international peace and security' ...

Within the security arena, climate change is viewed as 'a core development challenge that carries potentially serious implications for international peace and security', 'a risk-multiplying threat' or 'a catalyst for conflict in vulnerable parts of the world'.

Although climate change is well recognised as a global problem that requires a global solution, it does not receive the same level of prioritisation or resources as other policy issues, such as nuclear non-proliferation.



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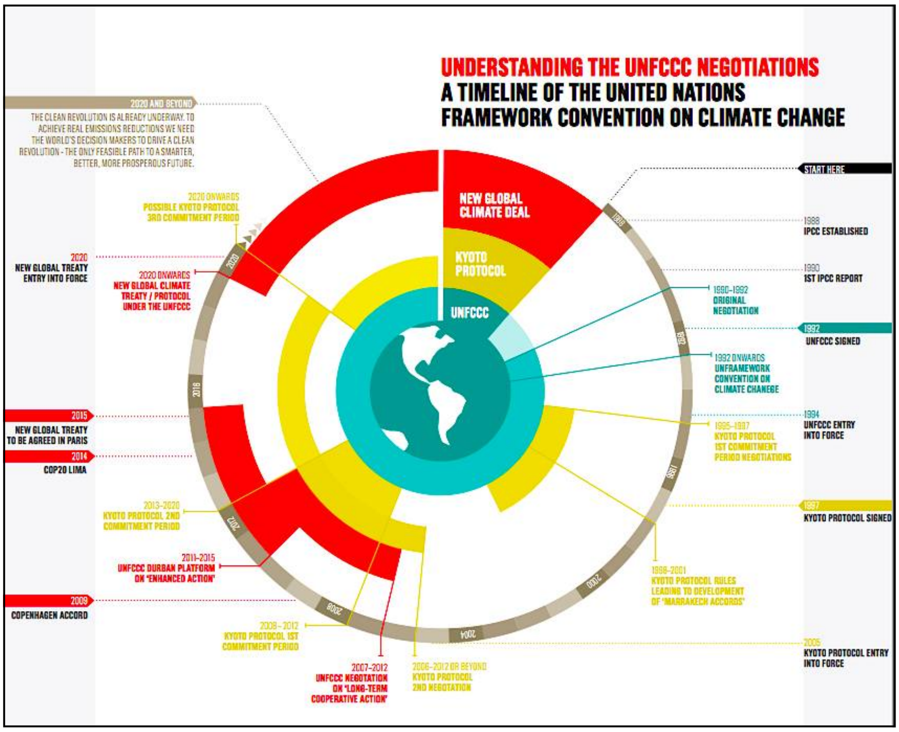
Questions abound as to why global collective action to address climate change is a failure. To many climate sceptics, climate change diplomacy — after more than twenty years — is ineffective and has taken one full circle. Diplomacy, reportedly, is 'the practice of conducting negotiations between the state and group representatives, and is also critical to integrating climate change into foreign policy and to developing the conditions domestically and internationally for securing a global deal'.

At the core is the United Nations Framework Convention on Climate Change (UNFCCC), one of the three conventions adopted at the Rio Earth Summit in 1992. The ultimate objective of the UNFCCC is to 'stabilise greenhouse gas (GHG) concentrations in the atmosphere at a level that will prevent dangerous human interference with the climate' and that 'such a level should be achieved within a time-frame sufficient to allow ecosystems to adapt naturally to climate change, to ensure food production is not threatened, and to enable economic development to proceed in a sustainable manner'. The convention — dividing parties into different groupings — is near universal but is not legally binding as it does not set mandatory limits on GHG emissions and has no enforcement mechanism.

Linked to the UNFCCC is the Kyoto Protocol, which introduced legally binding emission targets to developed parties, the so-called Annex I countries, because of their historical responsibility. Countries such as the United States and initially Australia objected and withdrew. The Non-Annex I countries, largely the developing countries, are exempted under the principle of 'common but differentiated responsibilities'.



Source: The °Climate Group

International climate negotiations — the Conference of Parties (COP) and the Meeting of the Parties to the Kyoto Protocol — meet annually but the process is slow and problematic. Moreover, the changing economic landscape has witnessed some advanced developing countries becoming large emitters of GHGs, and engaging these countries constructively is no longer considered an option.

Yet, years of negotiations and attempts to design a new regime, including the second Kyoto commitment period in 2009, saw instead a political agreement — the Copenhagen Accord and the voluntary pledges. Even so, preliminary assessments indicated a possible 'emission gap' between pledges made and emission cuts necessary to have a likely chance of meeting the 2°C objective. The 2°C level is that which is generally accepted to sustain life without irreversible damage, although many are pushing for a lower target of 1.5°C. According to the Intergovernmental Panel on Climate Change Fourth Assessment Report, GHG concentrations at 450 parts per million (ppm) would give a 50 per cent chance of avoiding a 2°C rise. To stabilise GHG concentrations at 450ppm, global emissions must be at least halved from 1990 levels by 2050.

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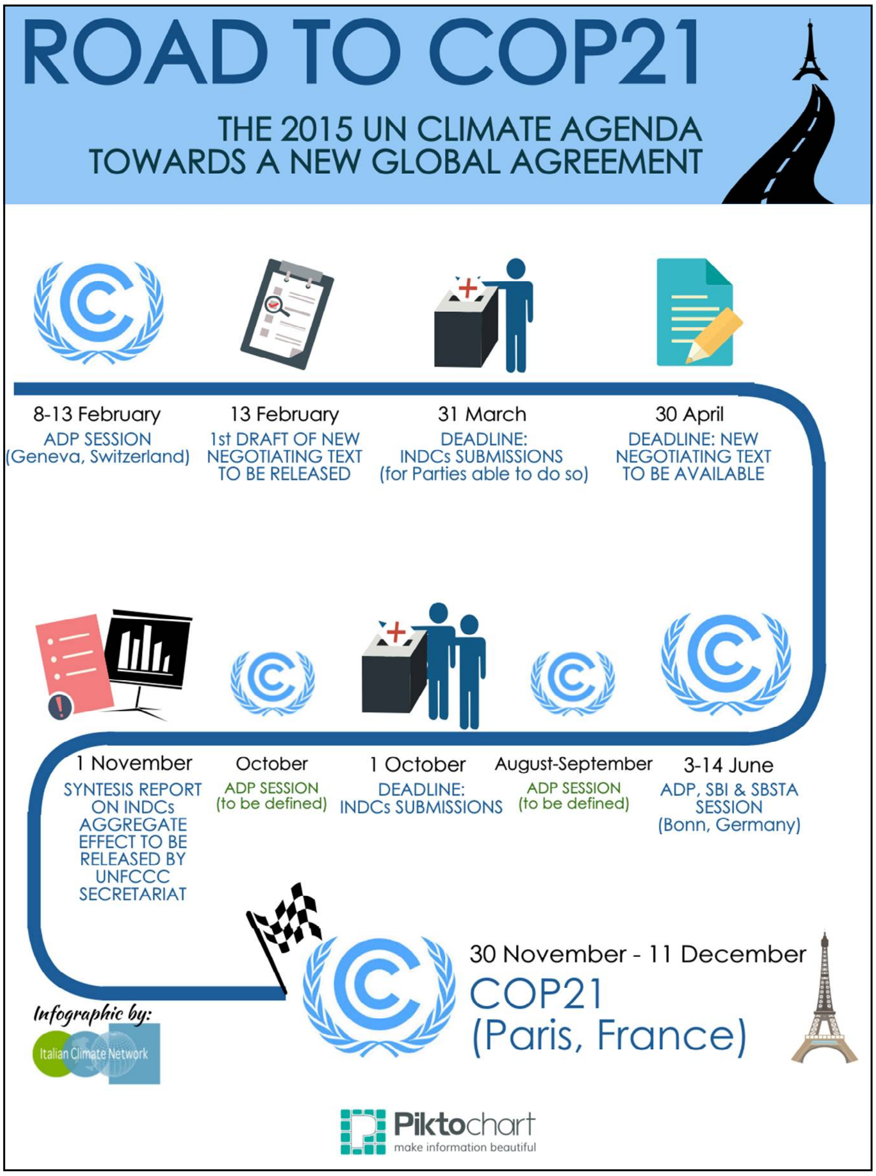
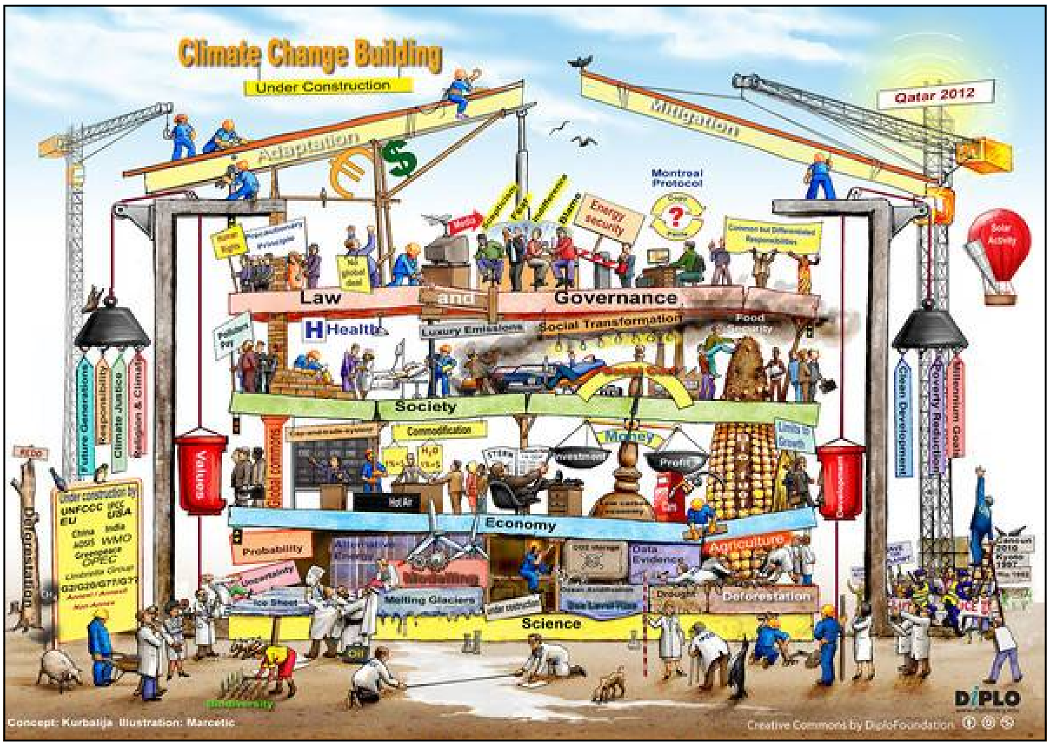
The bottom-up Copenhagen pledges and the second commitment period will end in 2020. More importantly, it is widely recognised that without international agreement, no bottom-up solutions will deliver a below 2° future. All parties, including major emitters, have therefore agreed to negotiate. So, the 21st annual COP — commonly known as COP21 — aims for a binding and universal agreement from all the nations of the world; a full circle indeed!



It is, however, unclear what form the agreement will take — a protocol, a legal agreement or an instrument with legal force. Questions raised include: who will monitor or compare the Intended Nationally Determined Contributions by countries and what kind of differentiation is allowed.

Such is climate change diplomacy. Why has it been a challenge? Reasons include the complexity, the uncertainty and the diversity of interests.



The first complexity is to reduce emissions — getting away from fossil fuels and decarbonising the economy. The massive energy transition required involves policymakers, regulators, investors, producers and consumers. Incremental change in terms of renewable energy or energy efficiency is observed but massive scaling-up is required in all sectors — energy, transport, building, and many more.

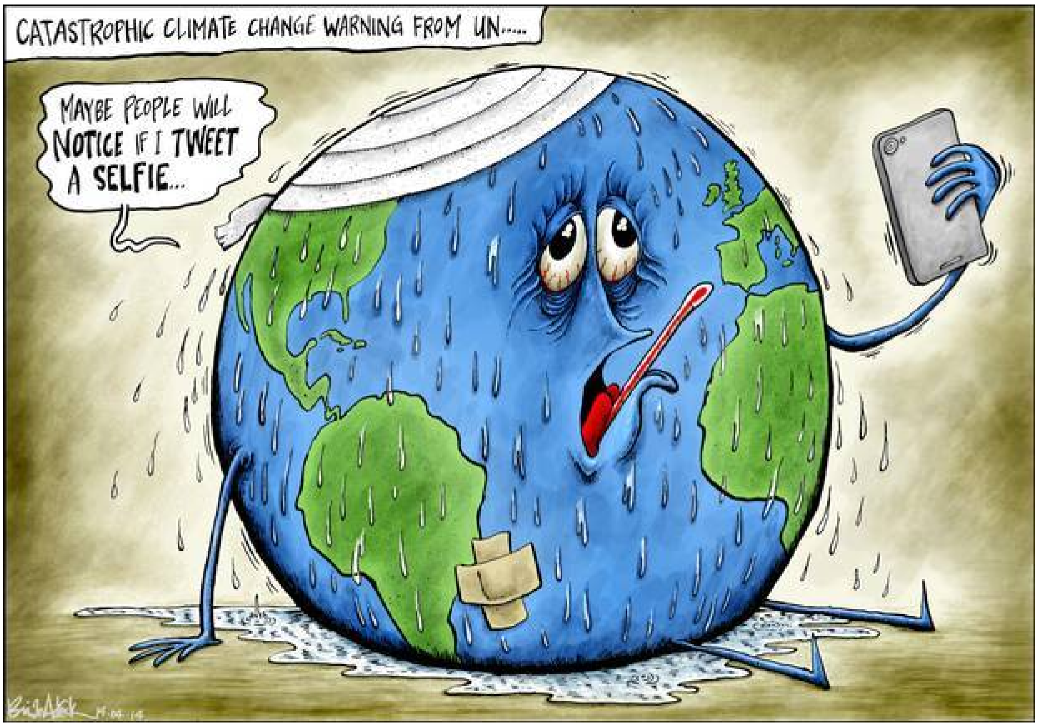
Second concern is no longer the scientific uncertainty but the economic uncertainty — taking costly action now for some unspecified economic benefits and environmental gains in the future.

Hence, the issue of free riding — allowing others to act first. But many developing countries in Asia as well as small island states that did not historically contribute to the carbon dioxide concentrations are affected by climate change. In many of these countries, the impact from climate related extremes, for example, reveals significant vulnerability. Adaptation measures, very much on the periphery, have been somewhat elusive and efforts need to be assessed. Adaptation is place-specific as well as context-specific and, therefore, approaches for reducing risks vary. What is crucial is that a first step must be taken to reduce vulnerability and exposure to climate variability.

Third is the diversity of interests — justice, equity, technology transfer and funding.

Nonetheless, climate change diplomacy, within or outside the UNFCCC, has a role to play. It provides a framework and sets a level of ambition. Climate change diplomacy can provide the 'moral' force for countries to act. The European Union and some of the more advanced countries have been at the forefront of climate change diplomacy in an effort to create a more effective framework as well as shape the climate negotiations to reflect national priorities.

Diplomacy, at the same time, begins at home; domestic consensus is important and so is the political and social will from all levels. There must be sufficient resources and capacity to gather technical and strategic information as well as develop diplomatic skills to engage effectively in the negotiating process. Appropriate and effective communication and forming strategic alliances are also prerequisites to diplomacy. But one final question: who has the power to act? There is no one single actor. Power is very much diffused and vested in a number of actors and we all have a role to play.



Mind, Society and Behaviour: Implications for Malaysian Household Debt and Savings

By
Farlina Said
Analyst, ISIS Malaysia

On 22 June 2015, *The Star* reported that close to 25,000 Malaysians below age 35 have become bankrupt over the past five years.[i] This trend was marked by their inability to settle personal loans and loans for cars and houses, as well as being the guarantors for other loan defaulters.

Financial planning habits of the income earner were studied in the *State of Households Report* published by Khazanah Research Institute last November. The study looked at household expenditure, the impact of rising prices as well as housing affordability and debt of Malaysian households.

... close to 25,000 Malaysians below age 35 have become bankrupt over the past five years. Most low-income households acquired items and services on credit.

The report revealed that 78 per cent of households own cars, 66 per cent own motorcycles, 96 per cent own refrigerators and 91 per cent own washing machines. Almost every household owns a television (98 per cent) and a mobile phone (95 per cent). The report also stated that 57 per cent were tied to ASTRO subscriptions while 39 per cent have internet subscriptions.[ii]

Most low-income households acquired the items and services on credit. The trend was also accompanied by low personal savings, where nearly three million Employee Provident Fund (EPF) accounts were reported to have low savings.[iii]

The World Bank Group's *2015 World Development Report*: *Mind, Society and Behaviour* focuses on the way humans think (the processes of the mind) and how history shapes thinking (the influence of society). These factors affect one's spending and saving behaviour. The study features the notion that people's decision making is influenced by contextual cues, local social networks and social norms as well as shared mental models.[iv]

Towards a behavioural study of the economic actor

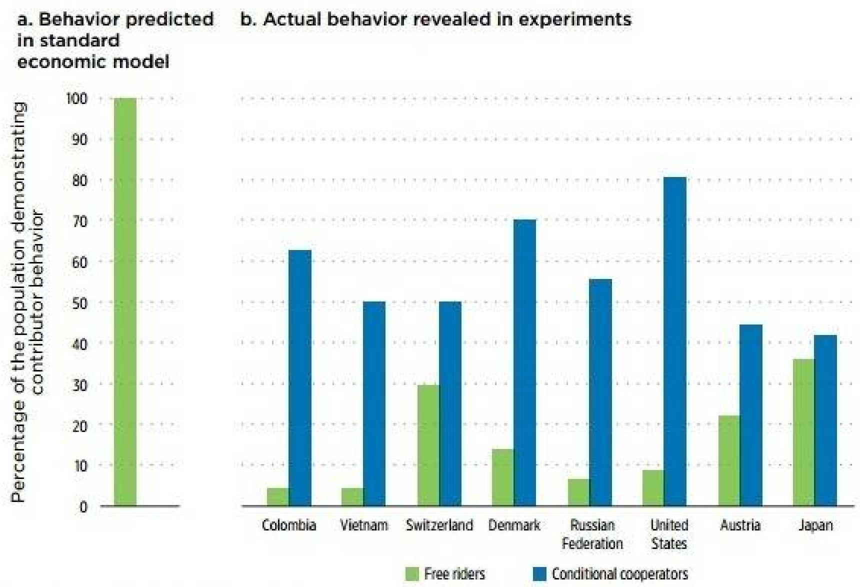
The foundational work of economist Adam Smith explored psychological and social influences on human decision making. Yet the approach was rejected in much of the 20th century literature. The economic actor was once seen as one who was "dispassionate, rational, and purely self-interested". These were the particular characteristics of the ideal economic being; individuals who did not behave in this way were believed to be driven out of the market by those who did.[v] This economic being, equipped with perfect calculation skills and self-regarding preferences, became an assumed entity in standard economic models. However, the cognitive processes of the economic being have proven to be more complicated. Economists assume we are all selfish — in actual fact not everyone in the society is a free rider (see Figure 1).

The economic actor, the automatic thinker

People think automatically. This process may seem like common sense due to the instantaneity one reaches a decision. However, social sciences suggest that an individual's cognitive calibration is shaped through learned contexts, such as social

Figure 1: In experimental situations, most people behave as conditional cooperators rather than free riders

The standard economic model (panel a) assumes that people free ride. Actual experimental data (panel b) show that across eight societies, the majority of individuals behave as conditional cooperators rather than free riders when playing a public goods game. The model of free riding was not supported in any society studied.



Source: Martinsson, Pham-Khanh, and Villegas-Palacio 2013.

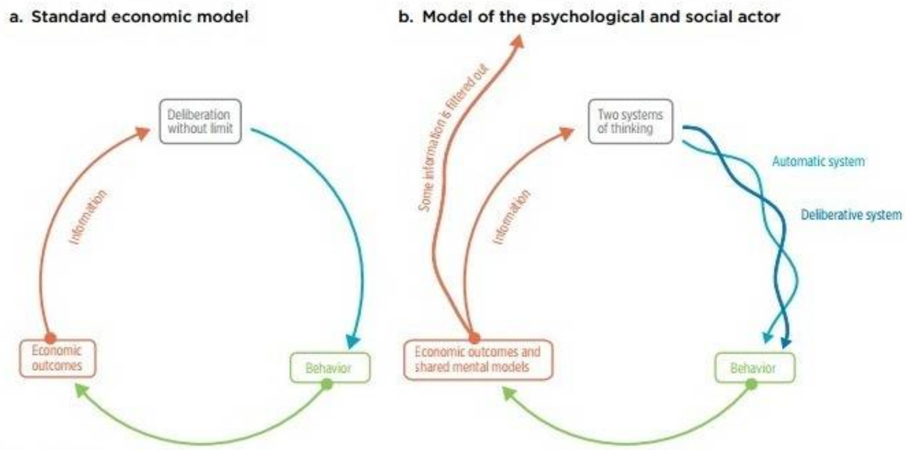
Note: Other players did not fit into either of the two categories, which is why the bars do not sum to 100 percent.

interactions, social beliefs as well as internalised concepts and symbols found within society.

Psychologists have distinguished two distinct thinking systems in the mind. The first is the automatic system that considers what automatically comes to mind (narrow frame). It is effortless, associative and intuitive. The second is the deliberative system that contemplates a broad set of relevant factors (wide frame). It is effortful, based on reasoning and reflective. Many may regard themselves as deliberative thinkers. Yet it is the first system that is most utilised in every day choices (see Figure 2).

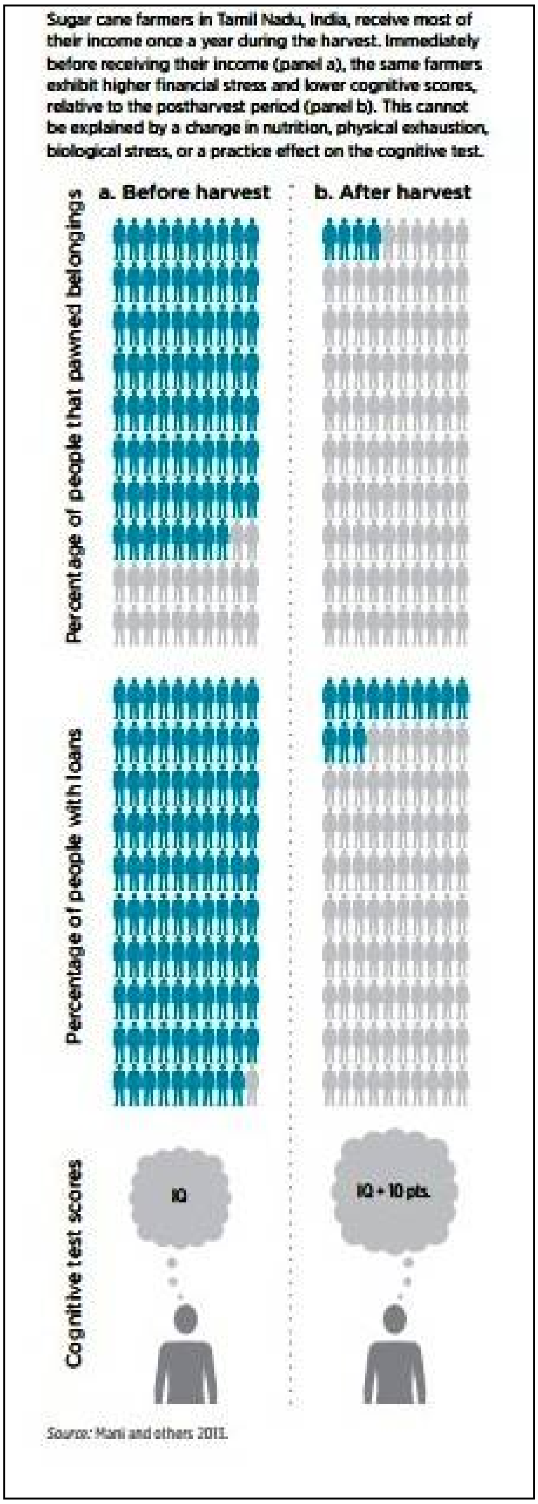
Figure 2: A more behavioural model of decision making expands the standard economic

In the standard economic model (panel a), decision makers use information in an unbiased way and deliberate carefully about all choices and possible consequences. In a more behavioral model (panel b), decision makers may overlook some relevant information because they think automatically as well as deliberatively.



Source: WDR 2015 team.

Figure 3: Financial scarcity can consume cognitive resources



Biases, context and physical conditions

In the area of finance, the human approach is usually driven by biases. These biases are in the decision makers' preconceived notions of loss and gain, time, approach to choices, and the social psychology of the advice relationship. Living conditions due to poverty also influence the economic actor's thinking processes.

Potential losses often seem larger than gains. There is also the issue of overweighting the present. Take the case of sugar cane farmers in India for instance. The farmers typically receive their income once a year, at the time of harvest. Right before the harvest, they were found to be much more likely to have taken on loans and pawned their belongings. The financial distress just before harvest time reduced one's thinking capacity to a score that is equivalent to roughly 10 IQ points (see Figure 3). For these farmers, a great deal of mental energy was exerted every day just to ensure their survival and access to necessities such as food and clean water. In this sense, they were left with less mental energy for careful deliberation or focus on investment matters.

Thinking with mental models

Mental models affect what individuals perceive and how they interpret what they perceive (see Figure 4). These models come from the cognitive side of social interactions, which people often refer to as culture. For instance, the manner in which one speaks to children, the types of risks to insure, and the identities or stereotypes one carries, are very much influenced by cultural factors. People's mental models shape their understanding of what is right, what is natural, and what is possible in life. While many mental models are useful, others are not and contribute to the intergenerational transmission of poverty.

Decisions concerning daily life and the household are then made based on these mental models. In finance, for example, there is a heavier bias on losses in comparison with gains. In an experiment, half the sample received a free mug and half did not. The groups were given the option of selling or buying a mug, respectively, if a determined price was acceptable to them. Those who had received a free mug were willing to sell, but only at a price that was twice the amount the potential buyers were willing to pay. Some even refused monetary compensation because they had become attached to the item.

Narrow framing

Using these mental models, the economic actor engages in automatic thinking. Problems are oftentimes narrowly framed in accordance with culture, previous experiences, casual narratives and worldviews. Unfortunately, in such assessments, one's information could be based on wrong assumptions about the world. People who engage in automatic thinking can make what they themselves believe to be large and systematic mistakes. One

Figure 4: Thinking draws on mental modes

Individuals do not respond to objective experience but to mental representations of experience. In constructing their mental representations, people use interpretive frames provided by mental models. People have access to multiple and often conflicting mental models. Using a different mental model can change what an individual perceives and how he or she interprets it.

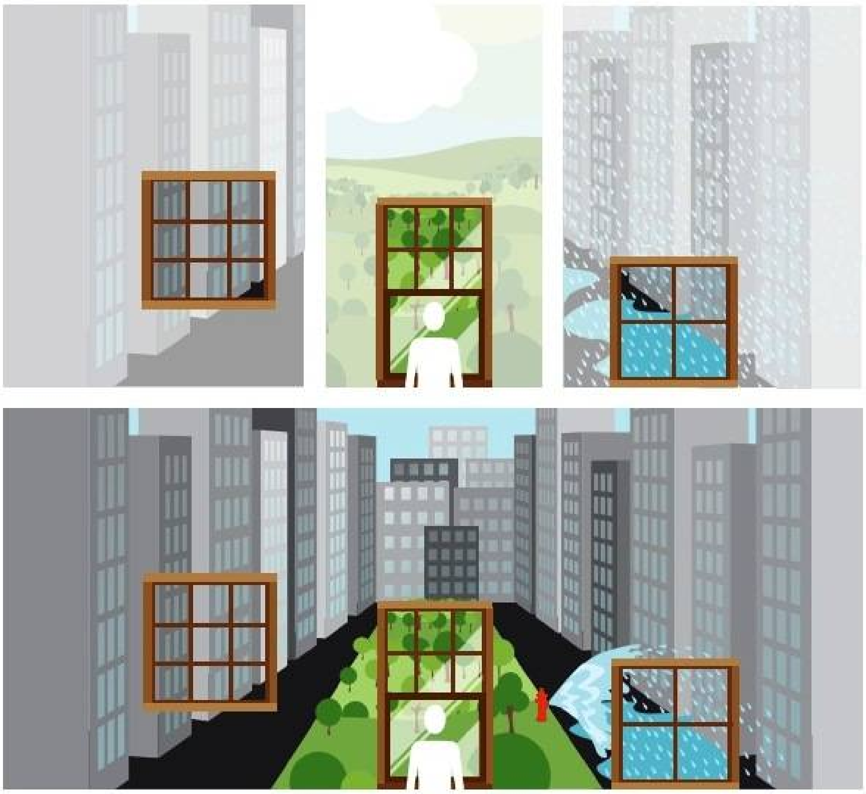
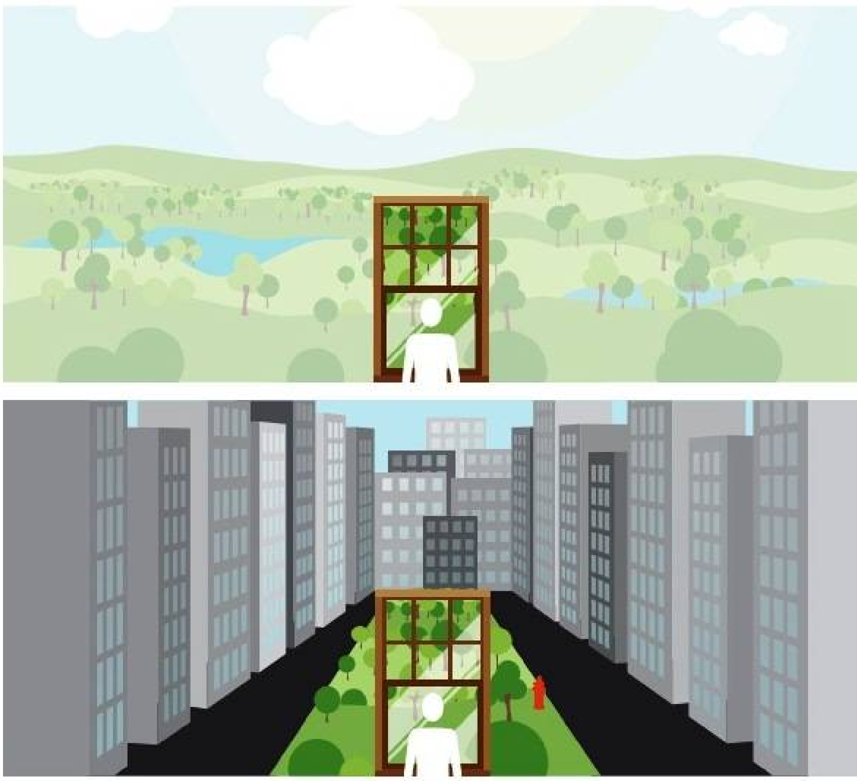


Figure 5: Automatic thinking gives us a partial view of the world

To make most decisions and judgments, we think automatically. We use narrow framing and draw on default assumptions and associations, which can give us a misleading picture of a situation. Even seemingly irrelevant details about how a situation is presented can affect how we perceive it, since we tend to jump to conclusions based on limited information.



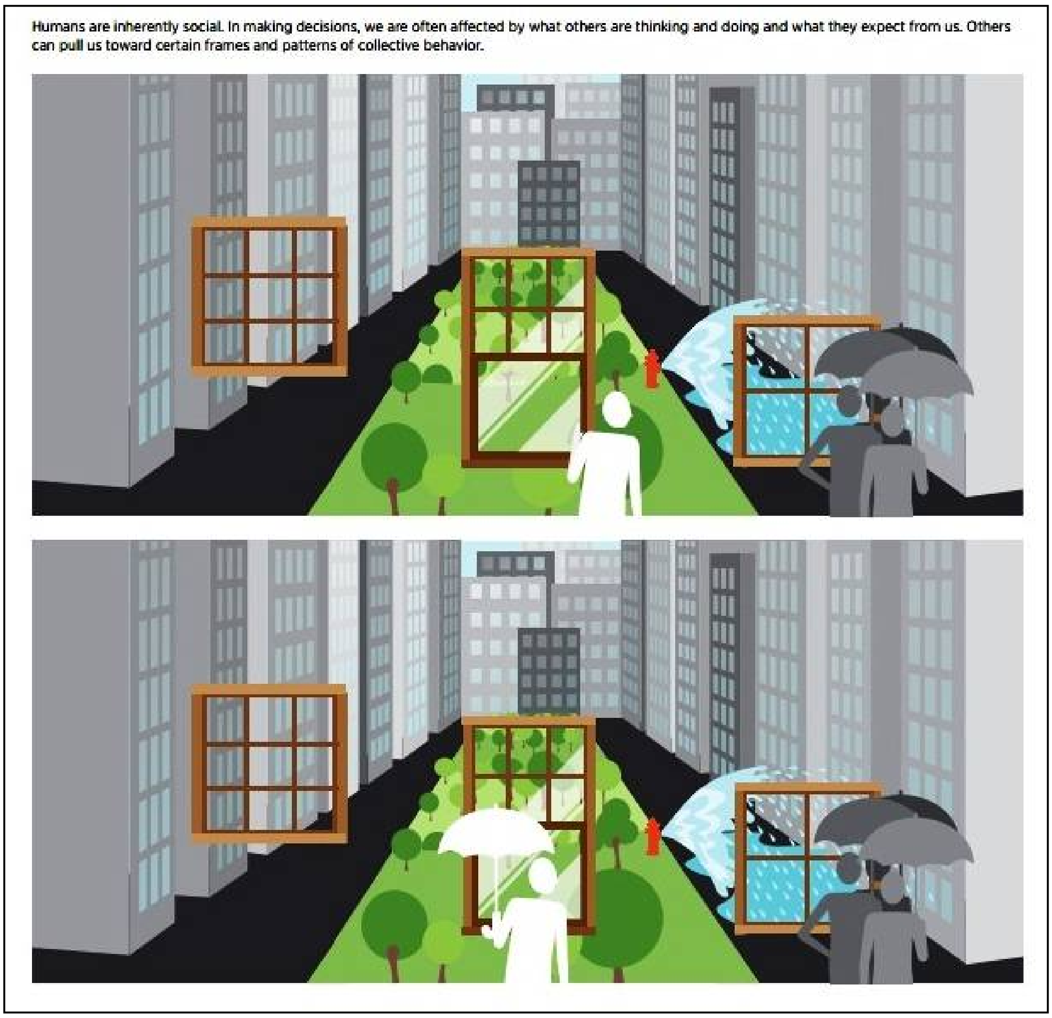
can look out on the world from a window and assume the world looks as such. This can cause one to form a mistaken picture of a situation (Figure 5).

The World Bank Report suggested that policymakers pay close attention to factors that frame people's options and the default options. Perhaps the State can better its decision making by restructuring the environment and how society grapples with the free flow of information.

Social people and social thinkers

Many economic policies assume individuals are self-regarding, autonomous decision makers. Hence economic policies generally focus on external material incentives, like prices. According to the World Bank Report, human sociality implies that behaviour is also influenced by social expectations, social recognition, patterns of cooperation, care of in-group members and social norms. People often behave as conditional cooperators, where individuals prefer to cooperate as long as others are cooperating.

Figure 6: What others think, expect, and do influences our preferences and decisions



Social preferences and social influences can lead societies into self-reinforcing patterns of behaviour. Microfinance clients in India, who were randomly assigned to meet weekly rather than monthly after the first loan cycle ended, were found to be three times less likely to default on their second loan. For these individuals, meeting weekly rather than monthly reinforced a motivated environment (see Figure 6).

The power distance between civil society and authority also affects the circulation of ideas and suggestions. People getting information from peers were found to be more likely to act than when receiving it from the government.

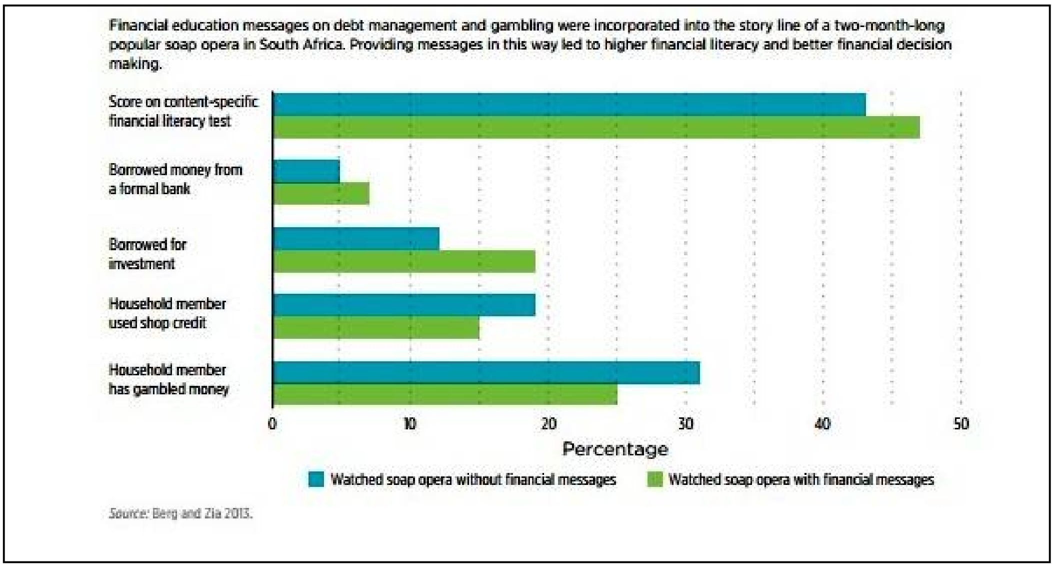
The Report, however, underlined that these patterns — based on trust and shared values — can be jeopardised by group behaviour, which can then influence individual preferences. Coordinated activity around a focus that is specific to an interest group can be ill-advised or even destructive for a community.

New doors for policymakers

Recognising the human factor in decision making and behaviour has interrelated repercussions. Experts, policymakers and development professionals, like everyone else, are themselves subject to biases, thinking automatically, thinking socially and using mental models. Indeed, trust is a large factor in policymaking. Perhaps one can consider trust as a mental model or trust per capita GDP as a foundation for policymaking.

Additionally, small details in design can sometimes have big effects on individual choices and actions. Policymakers could also leverage on the nation's communication landscape to ensure that the methods of disseminating messages are well received. Social media, soap operas and woman-to-woman peer groups are some examples of effective methods of disseminate messages concerning financial well being (see Figure 7).

Figure 7: Popular media can improve financial decisions



The concept of time can also match societal convenience. In the case of the Indian sugar cane farmers, distributing their pay throughout the year rather than a single payment after harvest time could influence their perception of time and need. Where Malaysia's EPF and Private Retirement Schemes (PRS) are concerned, a campaign could be carried out in conjunction with people's bonuses.

Society is very much laden with a free flow of information, which affects one's judgment and decision making. Too much information causes a cognitive overload, which leads to a paralysis, hence the reliance on automatic thinking to get through decisions. Any number of interested parties exploit people's tendency to think automatically. With these forces at work, governments should not play the role of a neutral referee.

On 24 June 2015, ISIS Malaysia was privileged to have Dr Varun Gauri, Senior Economist with the World Bank Development Research Group, present the World Bank Group's 2015 World Development Report — Mind, Society and Behaviour — in an ISIS International Affairs Forum. Also the co-director of the report, Dr Gauri related three principles of human decision making to the audience: (i) thinking automatically; (ii) thinking socially; and (iii) thinking with mental models. This article highlights these principles and some examples put forward at the forum. Though the World Bank's research has not been localised into nation-specific contexts, its report aimed to inspire and guide researchers towards a different approach in the implementation of development policies.

Notes:

[i] http://www.thestar.com.my/News/Nation/2015/06/22/Becoming-bankrupt-before-35-Worrying-trend-of-about-25000-Gen-Y-Msians-in-debt-over-the-last-five-ye/

[ii] The report can be accessed here: http://www.krinstitute.org/kris_publication_State_of_Households.aspx

[iii] http://www.themalaysianinsider.com/malaysia/article/debts-a-way-of-life-according-to-khazanah-report-on-income-inequality

[iv] Report is accessible at http://www.worldbank.org/content/dam/Worldbank/Publications/WDR/WDR%202015/WDR-2015-Full-Report.pdf

[v] http://www.worldbank.org/content/dam/Worldbank/Publications/WDR/WDR%202015/WDR-2015-Full-Report.pdf

*All images in this article were taken from the *2015 World Development Report: Mind, Society and Behaviour*.

Malaysia-Japan Relations: Heading Towards Stronger Ties?

By
Zarina Zainuddin
Analyst, ISIS Malaysia

Stable, steady, amicable — these are the words that come to mind when encapsulating the state of Malaysia-Japan relations. For many years, the focus of the relationship concentrated on economic cooperation — more specifically the manufacturing sector — but Malaysia-Japan ties quietly expanded to include culture, tourism, education and security. Recent developments at both domestic and international levels could pave the way towards a stronger, deeper and more comprehensive relationship.

In 2014, Japanese tourist arrivals in Malaysia recorded a growth of 7.8 per cent to 553,106 tourists …. as of May 2015, the number of Japanese who have joined the Malaysia My Second Home (MM2H) programme stands at 3,725.

Japan has been one of Malaysia's top economic partners for the last three decades. In 2014, the total trade between Malaysia and Japan amounted to USD 42 billion (RM 137.45 billion), third biggest after China and Singapore.

There are about 1,400 Japanese companies operating in Malaysia; these include the majority of the top financial and manufacturing corporations. As of September 2014, the approved investment from Japanese companies totalled USD 3.26 billion (RM 10.65 billion), creating 6,874 job opportunities. Japanese investment has increasingly grown beyond the manufacturing sector to include Islamic financing, the halal industry, green technology, retail and property, hospitality, and logistics.

The arrival of Japanese tourists in Malaysia has also been relatively stable; they are constantly ranked among the top ten visitors to Malaysia. In 2014, Japanese tourist arrivals in Malaysia recorded a growth of 7.8 per cent to 553,106 tourists compared with 2013. In addition, as of May 2015, the number of Japanese who have joined the Malaysia My Second Home (MM2H) programme stands at 3,725.

Developments in Malaysia-Japan initiatives

For a long time after Japan rose from the ashes of World War Two to develop into one of the world's largest economies, its foreign policy was closely tied to its Official Development Assistance (ODA) Program. In pursuing bilateral relations, most of Japan's ODA, which has been criticised as 'money diplomacy', is channelled towards infrastructure and capacity building. Japanese firms have played a significant role in the ODA. Yet Japan's economic slowdown and stagnation in the 1990s has forced it to adopt a more comprehensive approach to foreign policy.

One will observe these changes by looking at the bilateral relations between Malaysia and Japan. While economic ties are still the focus of Malaysia-Japan relations, recent developments — through various initiatives and agreements in the last ten years — suggest that the two countries are not only keen on reviving and reaffirming their ties, but on expanding cooperation in other areas as well. These include environmental issues, third country cooperation, people to people exchanges, and defence and security.

In 2006, the first major agreement — the Japan-Malaysia Economic Partnership Agreement (JMEPA) — was signed and ratified by both governments, four years after its initial proposal. The JMEPA is a bilateral trade agreement with a ten-year timetable. It aims to liberalise and facilitate the trade of goods and services and investments between Malaysia and Japan.

Once the agreement is fully implemented, benefits could include increases in two-way trade, investments, and better market access for goods. Japan is one of Malaysia's most important economic partners and vice versa. Indeed, the JMEPA is a reflection of the heavy emphasis on economic ties between the two countries, which have existed since the early 1970s.

Prime Minister Najib and Prime Minister Hatoyama at the joint press announcement

Source: Pool/Getty Images AsiaPac

Enhanced Partnership

On the occasion of Prime Minister Najib Tun Razak's first official visit to Japan in April 2010, the 'Enhanced Partnership for a New Frontier' was introduced as part of an effort to enhance, revitalise and reaffirm Malaysia-Japan relations as well as to explore new areas of cooperation. The bilateral cooperation reflected a progression of Malaysia-Japan relations from a mentor/mentee relationship to one of partnership. The joint statement by Japanese Prime Minister Yukio Hatoyama and Malaysian Prime Minister Najib Tun Razak centred on four areas:

- Cooperation for peace and security — Both countries vowed continued cooperation and commitment to maintain security in various areas such as Southern Philippines, the Korean Peninsula, and the Middle East; peacebuilding; maritime navigation; and the global fight against terrorism.

- Cooperation for strengthening competitiveness and sustainable growth — Partnership between the private sectors of the two countries, which included the expansion of investment in Malaysia by Japanese corporations in Islamic finance and the Halal industry, was promoted. New joint ventures for the private sector included green technology, renewable energy technology, biotechnology, and information and communications technology.

- Cooperation for contribution in the areas of environment and energy — The two leaders announced the 'Japan-Malaysia Cooperation Initiative for Environment and Energy' and agreed to strengthen cooperation for sustainable forest management and the conservation and sustainable use of biodiversity.

- Cooperation for human resources development and promotion of people-to-people exchanges — The Look East Policy played a role in human resources development in Malaysia, through education exchanges and capacity building, and in the promotion of people-to-people exchanges between the two countries. Both sides also promoted people-to-people exchanges at all levels.

The Look East Policy, initiated in 1981, signalled a major shift in Malaysia's model of development away from that of the West towards the East.

Look East Policy

The Look East Policy (LEP) was initiated in 1981 by former Malaysian Prime Minister Tun Dr Mahathir Mohamad. At its core, the LEP was an educational training programme. Its inception signalled a major shift in Malaysia's model of development away from that of the West towards the East. Malaysia aspired to learn and emulate Japan's path to economic development, and more specifically, its business ethics and techniques. Hence the LEP became a significant symbol — and is still recognised as the cornerstone — of Malaysia-Japan relations.

Source: Embassy of Japan in Malaysia

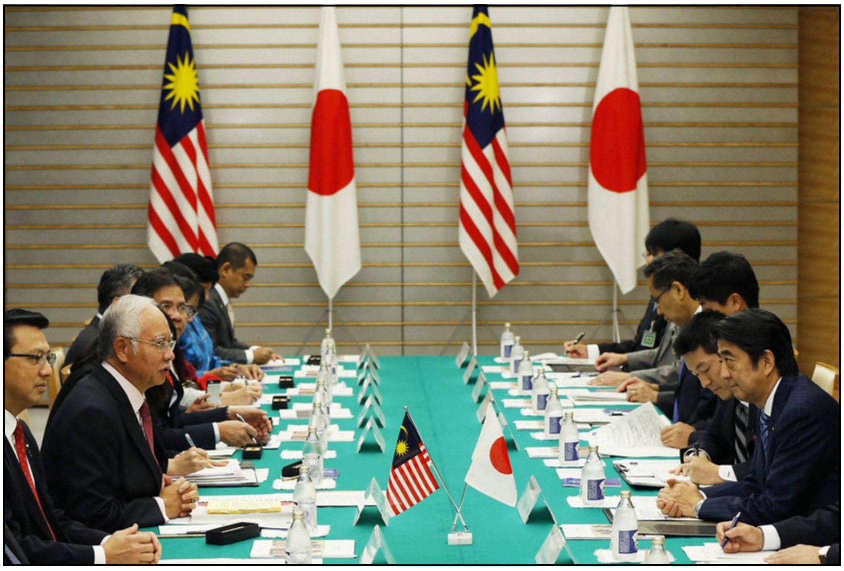
As the LEP approached its 30th anniversary, a decision was made to reevaluate and update the concept of the LEP to better reflect current realities. This was also an underlying effort to revive, reaffirm and boost bilateral ties at a time when China's rise to prominence as a regional economic and military power presents challenges as well as competition to both countries.

The second wave of the LEP, also known as LEP 2.0, was announced during the ASEAN-Japan Commemorative Summit in 2013. The LEP 2.0 focused on cooperation in industries of the future with advanced industrial technologies and low carbon emissions, high end services, and management skills development. Other areas of cooperation include modernising small and medium enterprises and dealing with an aging population.

Strategic Partnership

In a Bilateral Summit Meeting on 25th May 2015, Malaysia and Japan elevated their ties to a 'Strategic Partnership' status. In the joint statement of Prime Minister Shinzo Abe and Prime Minister Najib Razak, five areas of interest were highlighted:

- Cooperation for peace and stability — Both leaders reiterated their commitment towards security cooperation to ensure regional peace and stability. They further acknowledged the multifaceted exchanges between the defence authorities particularly in the humanitarian assistance and disaster relief efforts. As a new initiative of such cooperation, negotiations on the framework for cooperation on the transfer of defense equipment and technology were initiated.



Source: todayonline.com

- Achieving free, open and stable sea — Previously an item under 'Cooperation for peace and security' in the joint statement of the 'Enhanced Partnership for a New Frontier', this point was highlighted perhaps as a response to recent tensions in the South China Sea. The importance of sea lanes of communication (SLOC) in the region was emphasised. Japan praised Malaysia's continued efforts in ensuring the safety and security of Malaysia's maritime zones, especially the SLOC in the Strait of Malacca and the South China Sea.

- Investment in the future through the LEP 2.0 and economic cooperation — The LEP has enabled modern technology to be effectively transferred to Malaysian students and researchers through their experiences working in Japan. Malaysia hoped that LEP 2.0 will lead to genuine technology transfer, effective collaboration in research and development, and successful business joint ventures. Other issues discussed included the Japanese Shinkansen system in the High Speed Railway Project between Kuala Lumpur and Singapore, addressing climate change, and various multilateral economic partnerships.

- Expanded cooperation in cultural and people-to-people exchange — New fields of cooperation included health, science, technology and innovation, and information and communication. People-to-people relations formed the foundation for building strong bilateral ties between the two countries. Hence cultural and people-to-people exchange would be promoted through tourism, education exchange programmes including JENESYS2015 and Japanese language education assistance, and cooperation under the 'Sport for Tomorrow' programme.

- Contribution to regional and global agenda — Both leaders reaffirmed the significance of ASEAN's centrality to and mechanisms in the evolving regional architecture. Various issues were addressed including recent developments in the South China Sea, the irregular movement of people in Southeast Asia, the need to reform the United Nations in a way that reflects the geopolitical realities of the 21st century, disarmament, non-proliferation, and nuclear energy.

The joint statement on 'Strategic Partnership' seemed to place more emphasis on security and defence issues, putting these issues on a par with economic issues.

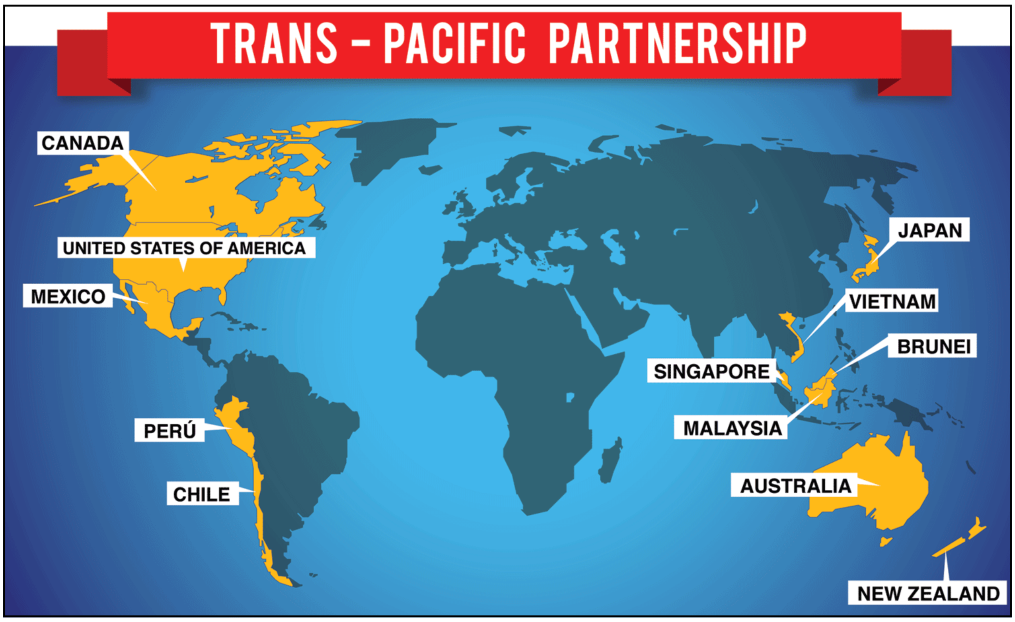
The joint statement on 'Strategic Partnership' seemed to place more emphasis on security and defence issues, putting these issues on a par with economic issues. This indicated that the relationship between Malaysia and Japan has evolved beyond traditional interests, namely economic interests.

Trade agreements

Besides the JMEPA, Malaysia and Japan are also part of two significant proposed trade agreements. One is the Regional Comprehensive Economic Partnership (RCEP), a free trade agreement between the 10 ASEAN member states, Australia, China, India, Japan, New Zealand and South Korea. The United States is not part of the RCEP. The other is the Trans-Pacific Partnership (TPP), in which 12 countries are participating in negotiations for the agreement. These comprise Brunei, Chile, New Zealand, Singapore, the United States, Australia, Peru, Vietnam, Malaysia, Mexico, Canada and Japan. Colombia, the Philippines, Thailand, Taiwan and South Korea have expressed interest in joining, whereas China is not part of the TPP negotiations.

The TPP is seen as the stronger agreement as its ambitious objectives call for binding agreements and cover areas which are not typically included in other trade agreements. The RCEP, on the other hand, has a better chance of being realised due to its more accommodating agreement.

TPP Trade Agreement Map



Source: Communications Workers of America

Visitors attend the 39th Bon Odori Festival in Shah Alam on 5 September 2015 despite rain

Source: Citizen Journalists Malaysia

Dancers performing the Bon Odori folk dance at the annual celebration

Source: Citizen Journalists Malaysia

Given that Malaysia and Japan are involved in both agreements, the implementation of either or both agreements could lead to a closer and deeper economic integration and interdependence between the two countries. The more intriguing aspect of these agreements is the exclusion of one superpower in each agreement and how this will play out.

Malaysia-Japan 2.0

Malaysia-Japan relations have evolved beyond the economic sphere, particularly in the last decade. Closer cooperation in defence and security are relatively new areas. Japan seems more at ease now when dealing with military matters and has expressed interest towards 'normalising' its military. Unlike China and South Korea, Malaysia has not expressed any misgivings, at least publicly, over Japan's military normalisation. Hence Japan has been keen to develop military ties with and sell its military equipment to friendly neighbours like Malaysia.

Malaysia and Japan have long-established strong ties and networks at every level of society. Official visits by the Malaysian Prime Minister and other high ranking ministers to Japan have become an annual event. Government-related organisations, such as The Japanese Chamber of Trade and Industry (JACTIM), the Japan External Trade Organization (JETRO), Malaysia's Ministry of International Trade and Industry (MITI) and the Malaysian Investment Development Authority (MIDA), also work to promote economic relations between the two countries. Additionally, the business community, through the Malaysia-Japan Economic Association (MAJECA) with its counterpart known as Japan-Malaysia Economic Association (JAMECA), meet regularly in both countries. At the community level, strong ties are evident in the LEP programme and the establishment of Japan Graduates' Association of Malaysia as well as various Japanese related clubs.

Indeed, existing government initiatives and programmes as well as the support of people-to-people networks should lead to closer and deeper ties between the two countries. The level of closeness, however, would depend largely on the realisation of such government initiatives. At a time when there are powers competing in the region for economic and military supremacy as well as global economic uncertainties, a closer Malaysia-Japan relationship could prove to be beneficial for both parties.

INSTITUTE OF STRATEGIC AND INTERNATIONAL STUDIES (ISIS) MALAYSIA

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Editorial Team
Dato' Steven Wong
Susan Teoh
Joann Saw

Design
Razak Ismail
Jefri Hambali

Photography
Jefri Hambali
Halil Musa

Published by
Institute of Strategic and International Studies (ISIS) Malaysia
No 1, Persiaran Sultan Salahuddin
PO Box 12424, 50778 Kuala Lumpur, Malaysia
T: +603 2693 9366
F: +603 2691 5435
E: info@isis.org.my
W: www.isis.org.my

Institute of Strategic and International Studies (ISIS) Malay-

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