

Symposium in Commemoration of The 10th Anniversary of JICA

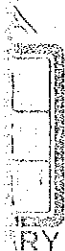
ASEAN AND JAPAN: TODAY AND TOMORROW

*Human Resources Development,
Nation Building and
Heart-to-Heart Communications*

October 11, 1984

Japan International Cooperation Agency

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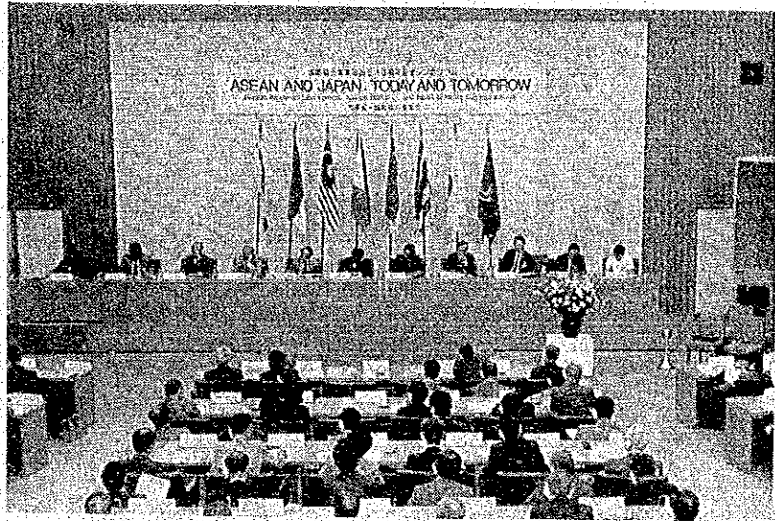
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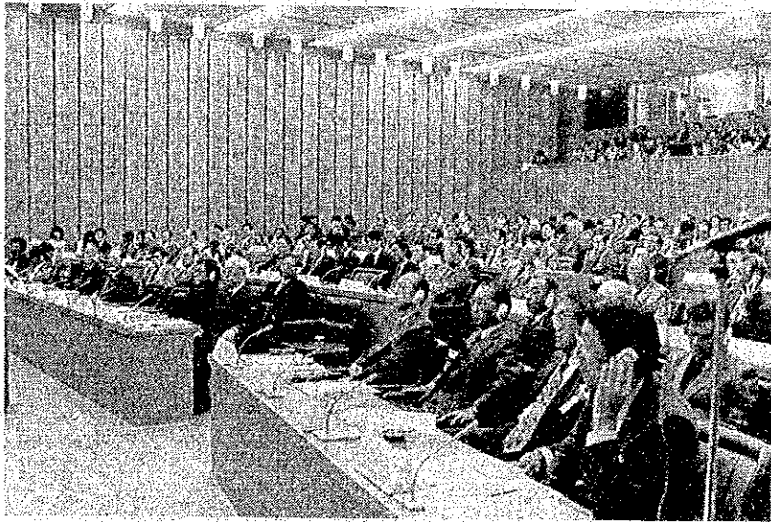
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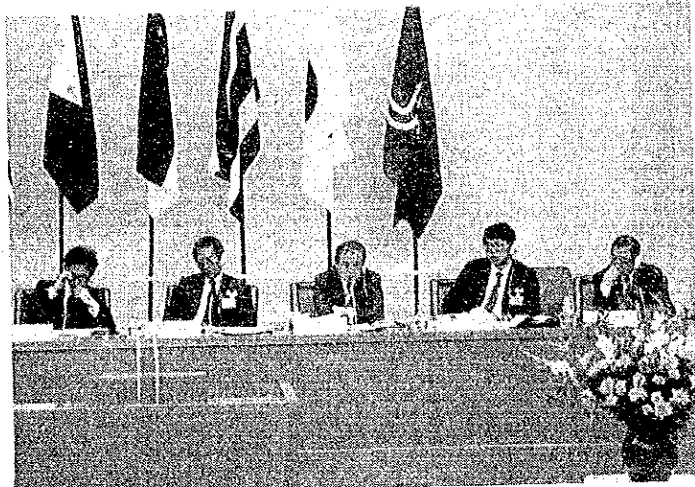
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Opening Ceremony of Symposium (International Conference Hall,
Ministry of Foreign Affairs)



Audience listening attentively to the reports of the panelists



Panelists listening to the reports of foreign participants



Journalists invited from ASEAN countries by the Ministry of Foreign Affairs



Panelists chattering informally at interval time

**On the Publication of the Symposium to Commemorate the 10th Anniversary of
the Japan International Cooperation Agency**

The Japan International Cooperation Agency (JICA) has entered into the 10th year of operation, including technical cooperation on a governmental basis, grant-aided cooperation, the Japan Overseas Cooperation Volunteers (JOCV), development investments and loans as well as emigration.

To commemorate the 10th anniversary of its establishment, JICA organized a symposium under the theme of "ASEAN and Japan; Today and Tomorrow: Human Resources Development, Nation Building and Heart-to-Heart Communications," with the participation of Japanese and ASEAN journalists who are opinion leaders. Centering on Japan's economic cooperation with ASEAN nations, lively discussions were held on various aspects including mutual understanding, trade and cultural exchange.

This report contains almost all the records of this symposium. We will be more than pleased if this collection of records can serve some useful purpose for the future relations between Japan and ASEAN nations.

We wish to record our sincere thanks to those panelists for their cooperation in planning and running this symposium and to those who attended the symposium despite their busy schedule.

October 1984



Keisuke Arita
President
JICA

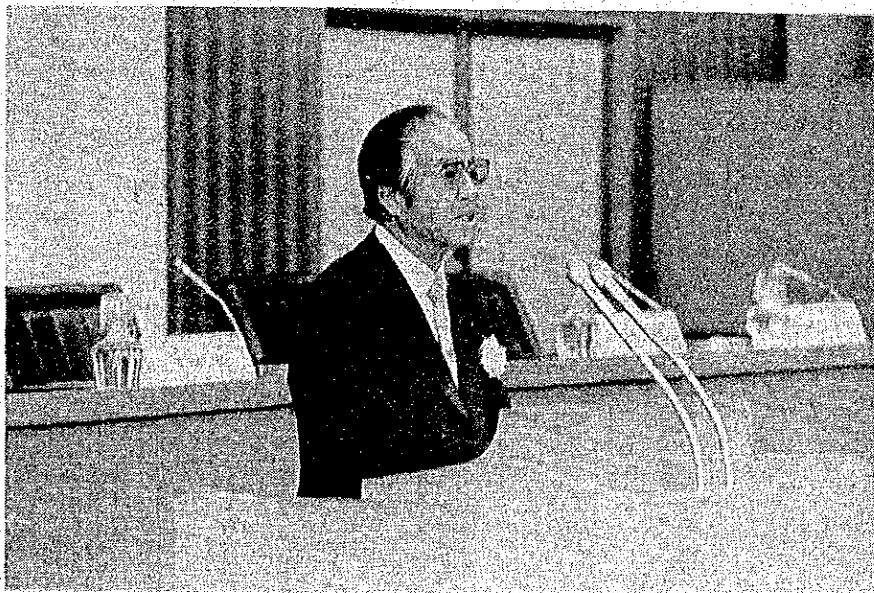
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Opening Ceremony

Opening Address

*Ishimatsu Kitagawa
Parliamentary Vice-minister
Ministry of Foreign Affairs*



Ladies and gentlemen, the JICA's 10th year anniversary Symposium is about to be held, and I would like to say a few words.

JICA started in 1974. At that time, the world economy was facing its first oil crisis, facing an unprecedented ordeal. After that the world economy stagnated for a long time.

During this period, the ASEAN countries showed economic stability and solid political interrelation, which contributed greatly to economic and political stability and development of the world community. Under such situation, Japan and the ASEAN countries in all aspects closely work together as you are well aware. Today, at the 10th anniversary of JICA, we have journalists from the ASEAN countries, and we are holding this Symposium, which reflects the relationship between Japan and the ASEAN countries.

Today, Japan and the ASEAN countries or any other nations depend mutually upon one another. Without mutual dependency, the international community can not exist. Without prosperity in the south, there is no prosperity in the north. This is the conviction of our country. Based on this conviction, our national government, under stringent financial situations, is expanding its economic and technical cooperation to developing countries. JICA, ever since its establishment, has played an important part of this effort of our government.

In January I visited Indo-China and Singapore as well. And recently, I visited Africa, Central and South America, and Sri Lanka, and I observed the projects which JICA was participating in. I met the experts that had been dispatched and I also met the government representatives of the nations and had opportunities to talk with them. And through these talks, I became convinced that to build a nation they must build human resources and develop their technical resources. There are many ways for a nation to develop human resources, and from medium to long-term aspects this development is the most sound and firm way of building a nation. Our cooperation toward this does not produce an effect in a day, but it is imperative for the sound growth of the developing countries and the promotion of this effort should be continued in the future.

At this time of the 10th anniversary of JICA, it is most timely to hold this Symposium under the theme, "ASEAN and Japan Today and Tomorrow, Human Resources Development, Nation Building and Heart-to-Heart Communications", with participation of the Japanese and ASEAN opinion leaders. Through the exchange of opinions, we can further realize the importance of our mutual relationship as well as our cooperation in human resources development.

Through this Symposium I hope that the understanding between Japan and the ASEAN countries will deepen further. Thank you very much.

Greeting

*Keisuke Arita
President
JICA*



Thank you very much for taking time out of your busy schedule to attend the Symposium. I would like to say a few words on behalf of JICA.

As you know, JICA was established in 1974 to conduct government-sponsored international cooperation services and programs, such as technical cooperation, Japan Overseas Cooperation Volunteer programs, finance and investment for development projects, and immigration services. And this year we are commemorating our 10th anniversary. Recently, JICA is also responsible for grant aid cooperation programs as well as aid to increase food production.

In 1974, our budget was 25.2 billion yen, and in 1984, it is 3.3 times as large, 82.4 billion yen. If we include grant aid cooperation programs which were started in 1978, our budget is 200 billion yen.

Recently, the importance of technical cooperation is more and more emphasized. This means that developing countries are now strongly conscious of the fact that grant and loan programs are effective if they are backed up by technical cooperation programs. We believe that we have to increase our budget for technical cooperation projects. In our Five-year ODA-doubling program, we are going to double the ratio of our technical cooperation to ODA, and we are sure that increased technical cooperation will lead to more effective implementation of ODA.

Today's theme is ASEAN and Japan Today and Tomorrow, Human Resource Development, Nation Building, and Heart-to-Heart Communications. And our strongest concern is to conduct aid and assistance which will meet the needs of developing countries precisely.

Technical cooperation means helping nation-building developing countries through human resource development. This assistance has to comply with the needs of the developing countries, and has to also satisfy the people in these countries. That is why JICA is placing emphasis on the evaluation of cooperation projects. We set up an evaluation committee inside JICA ourselves, and in conjunction with the Ministry of Foreign Affairs, we are studying, analysing, evaluating, and reporting on current projects as well as on the past projects which were completed, for their technical, economical and social impact. And then we would like to have the outcome reflection upon our future selection and operation of projects so that we can provide assistance most needed and welcomed by developing countries.

Aiming at the 21st century, we are expecting deeper understanding and better relations. And the key question is now how we can deepen cooperation between Japan and the ASEAN countries. We are getting close to the 21st century, and we foresee the accelerated progress of technology, as well as the accelerated development of the ASEAN countries. Under these conditions, JICA thinks we have to come up with better and renewed approaches for technical cooperation, choice of optimum technology, and methods of technological transfer.

From this point of view, we are very happy to welcome leading journalists from the ASEAN countries and also invite Japanese journalists who serve as opinion leaders in our country, to hear frank views concerning the relations between ASEAN and Japan, especially about economical and technical cooperation between Japan and the ASEAN countries. I hope today's discussions will lead to useful suggestions for us to think about the next ten years activities.

Thank you very much.

Report

*— Creation of Human Resources
for the 21st Century —*

*Fikri Jufri
Vice-editor
Tempo*



It is a reflection of a future-oriented wisdom when the six foreign ministers of the Association of Southeast Asian Nations at the end of their annual meeting last July in Jakarta stressed the importance of human resources development. They asked their dialogue partners, the advanced industrial countries like Japan, to assist them in order to prepare their peoples, at present numbering roughly 250 million, to catch up with the modern age.

Reading that final communique, I couldn't help remembering the so-called "Tanaka riots" in Jakarta, what we call the 15th January 1974 riots when Prime Minister Tanaka visited Jakarta, which I covered for my publications. In order to refresh our memories, Prime Minister Kakuei Tanaka visited the capitals of ASEAN countries, including Jakarta to promote friendship and co-operation between Japan and these countries so strategically located in Southeast Asia viewed from Japan's nation interests.

Although those riots had other domestic implications, I remember how shocked I was to see the outbursts of dormant anti-Japanese emotions. The targets were Japanese business offices and Japanese-made cars. Fortunately, no Japanese citizens became victims. It was a tragic and rather ironic event. On the one hand, the presence and active role of Japanese business during the crucial, initial period of the New Order since its establishment in 1966 was a tremendous help to restore the economic shambles caused by the erratic policies of the Sukarno regime.

No doubt, Japanese investment in mining, logging, fisheries, manufacturing was instrumental in stimulating economic growth which in turn could assist the maintenance of political stability. But on the other hand, the sometimes over aggressiveness of Japanese business style and the inadequate Indonesian legal system that could curb excessive zeal of profit motive had caused a sense of injustice.

It could also be said, however, with the benefit of hindsight, that the riots of January 1974 in Jakarta had a sobering effect. The Indonesian government came to the realization that unrestrained economic growth could create a situation of social injustice which is contrary to the Constitution. It could also affect the stability of the country which being an archipelagic state is of the utmost importance to maintain the desired national unity. So, through various decrees and programs, the government made special efforts during the post January 1974 riot periods to realize the principle of equity in executing its development plans.

Foreign investment projects from then on must also heed the social aspects of those modern enterprises grafted in a largely agricultural and semi-traditional society. Credit programs on easy terms for small scale business were expanded. Japanese government agencies and private enterprises also made the necessary wise adjustments. Young managers sent to Indonesia received special briefings on various aspects of their newly assigned country: the basics of the political system and historical background, the sensitivities of local customs and religions. Many Japanese joint venture companies began to realize that to allow their Indonesian Islamic personnel off during working hours for Friday prayers do not necessarily diminish their profits. As a matter of fact that kind of special consideration could improve relations between labor and management.

The point I would like to stress here is that, after the tragic events of January 1974, as a matter of fact a golden opportunity arises for Japan to show their genuine intentions assisting Indonesia in its development efforts. The truth is, neither hate nor rancour exists between the Indonesian people and the Japanese people or between the Indonesian youth and the Japanese youth. Why can't the Japanese people, especially its youth, for the sake of its own long term

national interests make special efforts to study the culture and language of Indonesia, to create better empathy and show that Japan too has a stake in the success of Indonesia's development towards becoming a modern, non-Western country?

A developing Indonesia that could maintain the national unity of its people of more than 160 million unevenly distributed in an archipelagic state that is strategically located in Southeast Asia with vital sea lanes for Japan's trade and economy is certainly benefitting Japan's strategic future.

On the other hand, suppose Indonesia would fail to generate constant growth and stagnates in its modernization efforts and presumably suffers from political decay that could affect the national unity and cause political fragmentation — then, the stability of the Southeast Asian region will be negatively affected. That kind of fragile situation in a strategic area for Japan with vital sea lanes for its national economy certainly is not a desired option. I would also suggest that Japan, too, must make special efforts to persuade Indonesia, its government and its socio-cultural institutions, and Indonesians in general to study Japanese culture and Japanese language seriously. Indeed, the present Japan Cultural Center in Jakarta should be better located with a more modern building, of course in Japanese architectural style. How could we learn from Japanese management techniques that apparently create economic miracles, if we are not aware of the socio-culture context of Japanese private enterprises?

The basic of modern management is still the art of how to deal with people, how to motivate them. It also relates to the concept of time in a particular context and the value of money. Not that we want to imitate Japanese model of economic success and societal patterns. In becoming a modern state and nation, we like to maintain our own Indonesian identity. But certainly we can learn from Japan's success and mistakes, even failures, in its rapid march towards becoming a modern, advanced industrialized country. Although it is not fashionable any more to talk about North-South relationship these days, as a matter of fact, the relationship between Japan and Indonesia is a "North-South relationship" in the fullest sense of that phrase. Japan is located in Northeast Asia, an advanced industrialized non-Western country. And Indonesia is located in Southeast Asia, a developing non-Western country, too. If both countries can demonstrate that in the coming decades as we enter a new century how successful they are in forging a dynamic co-operation based on broad concepts that reflect a historical vision, then both Japan and Indonesia at least prove to the rest of the world that the so-called North-South relationship is not a problematic concept.

Since I believe that a creative relationship is possible between Japan and Indonesia for long-term interests of both countries, I would like to suggest the following ideas.

One is to promote the teaching of Indonesian language with modern methods in Japanese universities. Special Indonesian language exercise books should be prepared that would enable Japanese students to learn modern Indonesian language in the shortest time possible. Modern language labs should also be available in order to acquire the right quality of pronunciation.

The same idea should also of course be applied in Indonesia with Japanese assistance.

Centers for Indonesian studies should be set up, or the existing ones expanded in Japanese universities. These centers should be equipped with adequate libraries containing Indonesian materials. Not all those centers should deal with problems in the fields of economy, sociology, anthropology, linguistics, political science etc. A certain amount of theoretical knowledge is certainly needed as a solid base for enduring relationship.

Ladies and gentlemen, those centers exist in the United States and Australia. In the U.S. for a long time we know the modern Indonesia project at Cornell University in Ithaca and also in Monast University in Australia. I think it is now high time for Japan, too, to have a modern Indonesia project, be it in Tokyo University or some where else.

I will also touch a bit about my own word as the press, but I will leave that to my colleague from Malaysia for further explanation. But I do think that the Japanese press should be more active in presenting also news not only following the phrase that a man bit dogs. In my observation, lots of articles about Indonesia published in Japanese mass media are likely to contribute for only Japanese people to just create and to have a kind of pessimistic image of our country. I think to give some examples is good to postpone that during discussions.

However, I would also suggest research centers that would tackle specific problems with applied knowledge and technology. For instance, traffic problems in Indonesian cities, better handling of long distance truck transportation, soil management and water preservation, forestry management, housing development for common people with serial techniques that could speed up the availability of housing, small scale industries development by making available abundance of electricity, the marketing of products of those small scale industries, too. Those are some of the practical problems that usually tend to be overlooked or not treated with enough priority although they are vital to prevent uneven spread of development.

I think, in this case, ladies and gentlemen, what JICA did in Indonesia — I saw some projects of them — I think is a good example.

Japan should also assist Indonesia to acquire high technology as we are approaching the final years of the 20th century entering the new 21st century. Any nation, especially in the Pacific basin area that is far behind in acquiring important sectors of high technology, would be in a vulnerable position in the next century. This means that technical and engineering studies in Indonesia should be modernized with up to date laboratories and workshops, adequate libraries, etc. It would be helpful if a program could be designed to enable young Indonesian engineers after their graduation to spend some time in Japan for some educational exposure.

I can suggest additional ideas that could be tackled by Japan in order to speed up the human resources development in ASEAN countries, especially in Indonesia. Let me quote to you the World Bank Report on Indonesia, published last April 1984, "Indonesia, Policies and Prospects for Economic Growth and Transformation." On page 41, discussing on the "Impact on Employment and Incomes" as part of the macro-economic framework, the report says:

"The creation of adequate employment opportunities is the most pressing development issue now faced by Indonesia. The level and distribution of labor incomes are the principle determinants of the welfare of the poor. In the 1980s, the labor force is projected to grow at an annual rate of about 2.7% compared with 2.2% during 1970s. During REPELITA IV (Fourth Five-Year Plan, 1984–1989) there will be of the order of 1.8 million new entrants to the labor force each year." And this, ladies and gentlemen, could not be coped with by only average 5% growth during this five-year plan annually. "Thus Indonesia will encounter a rise in labor force growth during a period in which the country's resource situation is expected to be much less favorable than in the past. The development of an employment-oriented growth strategy is essential if the past progress in reduction in poverty is to be sustained."

That is a quotation from the report.

It is quite clear from that quotation the staggering task faced by the Indonesian government in the field of human resource development. The failure or even partial success in providing adequate education and training for the new entrants entering the labor market would certainly affect the political stability and hamper economic growth. Again, I would like to underline the important role of Japan in assisting Indonesia with imaginative programs, dedicated instructors, and adequate funding to speed up the development of Indonesian human resources.

Let me switch now to another topic, namely the situation in Southeast Asia and the Kampuchean conflict. Seemingly, this topic is unrelated to the problem we have been discussing. But if Japan is really sincere in its desire to see Southeast Asia as a zone of peace, freedom and neutrality, the ZOPFAN concept as endorsed by the ASEAN foreign ministers in Kuala Lumpur in 1971, then Japan cannot ignore the political future of that region for the sake of its own strategic interest. As Indonesia is entering the closing decades of the 20th century in stages of Five-year Plans, how the nation views its immediate future is formulated by the broad Guidelines of State Policy 1983.

As referred to by President Suharto's speech before the House of the People's Representatives on the occasion of the 38th Independence Day, I quote: "As is indicated in the Guidelines of State Policy, the foundational framework created in the Fourth Five-year Plan will be further consolidated in the Fifth Five-year Plan, so that in the Sixth Five-year Plan our nation will be able to take off and race ahead with development under our own strength leading to the materialization of the society that is our idea, namely, the society that is just and prosperous based upon our philosophy Pancasila."

Although I have not seen yet a detailed conceptional view of what the "take-off" period 1984-1999 means as historical stage in the development of the nation, there is a growing determination among Indonesians that we should not be left too far behind in the competition for modernity as we are entering the 21st century.

In the context of Indonesia's systematic determination to place the country on a level of modernity that would position it more favorably at the start of the new century, it is logical to raise the important question: What kind of Southeast Asia is desirable as a secure and conducive geo-political environment?

The underlying assumption here is that an archipelagic country like Indonesia stretched out along the equator more than five thousand kilometers, with straits crucial for international maritime traffic and with unevening population distribution, unavoidably has to go through period of vulnerability before a new social political balance situation sets in.

This requires, in my view, the formation of a functional cooperation in Southeast Asia between the ASEAN members, the Indo-China states and Burma as a foundation for a secure and conducive geo-political environment. A kind of a protective moat for Indonesia during its takeoff stage but at the same time that could function as a stimulating environment to speed up the development of its social, cultural and economic potentials.

President Suharto reflects this concern as he views the nation's immediate future in his address before the house of the People's Representatives on the occasion of the 39th Independence Day delivered last August, 16th. He said, I quote: "Looking at the fifteen years ahead to the eve of the ending of this 20th century, we are most deeply conscious of the fact that the world today

is entering one of the most vulnerable periods in the history of mankind and humanity. The modern sciences and technology have given man previously unimaginable powers. Those powers can turn in all directions, both for the building of a world that is peaceful, just and prosperous, and also for the destruction in a moment of civilization and possibly of all life on the surface of our solitary earth at that moment. It is precisely in facing this vulnerable and danger-filled future of the world that we must carry out the tasks prescribed by the Preamble to the Constitution, to contribute in implementing an order in the world that is based upon independence, abiding peace and social justice."

In concrete terms, I think that the quotation from the President's address implies that Indonesia faithful to its tradition of conducting an independent and active foreign policy should initiate the first steps towards the formation of a functional regional cooperation in its immediate world, e.g. Southeast Asia, with the necessary cooperation from external powers, including Japan.

A lingering Kampuchean conflict that persists affecting the regional stability for years to come would create a fragmented and vulnerable Southeast Asia towards the end of this century, by the time Indonesia is completing its Sixth Five Year Plan to embark on a "take-off" period. The conflict by now has been internationalized to such a level, involving external powers, China, U.S.S.R., the United States, that could easily be escalated.

Ladies and gentlemen, there is always the question on the Kampuchean matter. "Time is on whose hand?" ASEAN sees time is on ASEAN's hand. Indochina, Vietnam, sees time is on their hand. But according to me time is on the superpower's hand. I mean if nothing will happen in China that is a big power, nothing will happen to Russia, nothing will also happen to America. But if the situation in Indochina, specially the Kampuchean conflict becomes hardened, ten years from now I am afraid they will point a finger to us ASEAN that "you are not helping us, you are not a friend." I think time is neither on Indochian nor on ASEAN's hand.

Meanwhile, during this coming period approaching the final years of the present century, we could expect a more assertive China as a function of its relative success with its four modernization efforts. Whatever problems the current Chinese leadership might have in restructuring its economy to be more efficient and growth-oriented, the recent visits to Beijing by Prime Minister Yasuhiro Nakasone and President Ronald Reagan showed that China could count on an assortment of assistance from the two advanced industrialized countries, Japan and the United States.

Especially, with Hong Kong supervised by Beijing's administration by 1997, in whatever arrangement agreed between the United Kingdom and PRC, China's capability to project its presence in Southeast Asia becomes more credible. The active role of Hong Kong as a center of modern banking and capital market, import and export trade, shipping and international airlines, manufacturing and information business is duly recognized in Southeast Asia.

In my view, it is not too hypothetical to project the possibility that towards the end of the century China could well be in a position to affect, if not influence significantly, the modern economic sectors in Southeast Asia.

It is interesting to note that differing threat perceptions regarding China in the immediate future came out during the first Indonesia-Vietnam seminar in Hanoi last February, which I attended. As one Vietnamese participant stated, "Vietnam is the dyke that prevented Chinese expansionist wave from surging over Southeast Asia." The Indonesian participants responded that inasmuch as they respect and admire Vietnam's resilience and militancy facing the Chinese military

forces, its threat perception regarding China tends to be two-dimensional only. Our perception is more modern and dynamic, preventing China as an emerging modern economic power that will be more assertive in Southeast Asia.

The point I would like to stress is that, unless the Kampuchean conflict is solved without too much delay, it is difficult to forge the kind of regional cooperation that could stimulate economic growth and social welfare throughout the region. If Southeast Asia remains fragmented by the time China is more assertive, the temptation might be too tantalizing for China to treat parts of a fragmented Southeast Asia as if it is a "special administrative zone."

Recent news reports indicated that Japan have shown increasing interest in finding a possible solution regarding the Kampuchean conflict. Foreign Minister Nguyen Co Tach's visit to Tokyo recently on his journey to New York to attend the annual United Nations General Assembly and his meeting with Foreign Minister Abe, in my view, it is a hopeful beginning of Japan's increasing diplomatic role. Japan cannot remain a passive onlooker as far as the political future of Southeast Asia is concerned.

If ASEAN, and the Southeast Asia region is indeed important for Japan's long term interests, then Japan must come up with active initiatives and creative concepts in trying to solve the Kampuchean conflict.

There is a lingering concern in ASEAN countries that Japan is kind of over-enthusiastic in developing its long term relationship with China. Of course, because of historical and geo-strategic interests, China is an important country that simply cannot be ignored by Japan. But the romantic atmosphere surrounding the recent visit of Prime Minister Nakasone to Beijing and the announcement establishing a "China-Japan 21st Century Friendship Committee" create some worries, lest the Southeast Asia region is doomed to live under the shadow of a China-Japan-U.S.A. strategic alliance during the 21st century. Clearly, given the independence spirit in Indonesia and also in neighboring countries, we cannot accept that kind of power setting in Asia.

Let me end my presentation with an urgent plea that Japan earnestly feel responsible with the future of ASEAN and the Southeast region, assist us wholeheartedly with our efforts developing our huge human resources and play a more active and creative role in solving the Kampuchean conflict and establishing a stable and growing Southeast Asia region. Because I am convinced that the forging of a functional regional cooperation in Southeast Asia between all states in that region will after all benefit Japan's long term interests, too.

Report

— Direct Investment and Technology Transfer —

*Mitsuaki Nakao
Editorialist
Mainichi Newspapers*



Mr. Jufri talked about very general issues. I would like to limit my speech to rather narrow issues. What I would like to talk about is direct investment by Japanese enterprises in Southeast Asia, especially on the advancement of Japanese enterprises in Asia and some problems caused by this. And at the same time, the objective of my speech is not only to express my opinion concerning this issue, but to hear the opinions of journalists from Southeast Asian countries who are present at this Symposium. Now I would like to start my speech.

Very recently, actually at the end of August, a Malaysia-Japan dialogue was held at Kuala Lumpur. In the opening speech, Prime Minister Mahathir of Malaysia said the following. Actually, his speech was read by someone else, but, in short, what the Prime Minister said was that Japan-Malaysia relations are unequal ones, and in many aspects they are classic economic colonialistic ones. That is how he criticized Japan-Malaysia relations.

As an example of this unequal colonialistic relationship, he cited the trade imbalance between these two countries, and especially he pointed out that Japan does not import industrial products from Malaysia sufficiently. As for the trade imbalance and trade issues, there will be another panelist from the Japanese side who is going to talk about this, so I would not like to touch upon this point.

In his speech, he also touched upon Japanese investment in Malaysia. He talked about technological transfer from Japan to Malaysia, the utilization of resources in Malaysia, the training of the Malaysian labor force, and equal participation of consultants from both countries. In other words, letting Malaysian consultants participate on an equal basis in projects that the Japanese are conducting. The Prime Minister pointed out the need of improvements in all these areas.

I read this article in Malaysia and also in a Japanese newspaper. Mr. Jufri talked about the riots against former Prime Minister Mr. Tanaka in January of 1974. This article reminded me of that demonstration against him. I am sure these riots were caused by a distrust in Japan. Several months after the riots, I visited the ASEAN countries and I heard from the local people that Japanese enterprises often tie-up with overseas Chinese companies, and they were against this business connection between Japanese and overseas Chinese enterprises.

Anyway, this type of riot was caused by an anti-Japan feeling, an anti-advancement of Japanese enterprises. I also heard several comments from leading figures in the governments and also in the industries, and one of the criticism was that Japanese enterprises were busy making profits and they do not have any intention of returning profits to the countries that they advance in. The second one was that they exploited the local labor force by paying low wages. The third criticism was that they advance in labor-intensive light industries, such as textile, household electronic appliances, general merchandise, and food. Since they flooded these industrial sectors, this led to excessive competition so that local firms could not compete with the Japanese companies.

After the riots, maybe because the Japanese enterprises reflected upon their selfish conduct and reformed it, there has not been any strong anti-Japan criticism, and the ASEAN countries have observed a steady economic development mainly due to their own efforts, but also partially due to direct investments from Japan.

Going back to Prime Minister Mahathir's speech, he said that without cooperation and assistance from Japan, today's Malaysia would not exist. When he talked about cooperation and assistance from Japan, he said that Japan conducted business based on a market mechanism, and on

the principle of profits. But sometimes, though they acted for making profits, their conduct was an enlightening one, or a wise one, because they seem to have understood surrounding situations well. But, most of them were acting for their own profit. Anyway, cooperation and assistance from Japan promoted Malaysia's development.

From this perspective, the fact that the Prime Minister Mahatir criticized Japan's attitude as colonialistic means that Japanese enterprises do not conduct or behave themselves in an enlightened and wise manner as before. The Prime Minister expects Japan to show statemanship for human beings, and also he said a heart-to-heart relationship is the most important thing for Japan and ASEAN.

Not only Malaysia, but other ASEAN countries have criticized Japan for its closed market. In July, during the Japan-Thailand Trade Conference which was held in Bangkok, Kusan, the Secretary of Commerce, complained to the Japanese Minister of International Trade and Industry that Japan always says that the matter will be taken into consideration, but nothing comes out of it. Often in Japan, to say that we will take something into consideration means that we will not actually carry it out, but of course, that kind of expression will not be understood overseas. Besides, I would like to refer to an article in *Bangkok World* which covered a survey on Japan conducted by the Tanasat University. According to the survey, 63% of the answers said that Japanese are economic animals, and 45% said Japan is economically dominating Thailand.

I would like to hear today from the journalists from the ASEAN countries, what you think of the direct investments of Japan in the ASEAN countries, their merits and the demerits.

Basically, I think that Japan and the ASEAN countries are in the framework of a capitalistic economic system, and that direct investments by private sectors are bound to be based on their wish to make profits. Of course, we understand the importance of heart-to-heart communications, but enterprises are not doing charity, so they have to base their investment on the motivation of profit.

Inevitably, there are positive and negative sides to this type of direct investment. As for positive effects, there will be the creation of job promotion, of industrialization, and of technological transfer. On the other hand, since Japanese companies are pursuing their profits, it is in a sense inevitable that they try to concentrate on labor-intensive industrial sectors because they are attracted to the low level of wages in the ASEAN countries. If the wage level rises in the ASEAN countries, Japanese companies will not decide to advance there.

Recently, because of the introduction of robotics and the advancement of office automation, the cost of labor in the industrial sector is decreasing in Japan as well as in other advanced capitalistic countries. That is why they have reduced the scale of advancement to developing countries. As an example, in the electronic and electric industry work group of the 4th Conference of the International Metal Workers Union, which was held last year, developing countries expressed their concern that a micro-electronic revolution might have a strong impact on developing countries which have a lot of labor intensive industries.

Also, Japanese industries concentrate in capital cities and urban areas causing a wider disparity of income between urban and rural areas, which is often the case with the ASEAN countries. Besides there tends to be a linkage between Japanese companies and industries of the overseas Chinese, for they are efficient in dealing with Japanese companies. This produces a problem especially in Malaysia, which emphasizes enterprises advancement of Malaysian people.

In order to stop widening disparities, I think government policies are very important. What I'm going to say might be provocative, but my impression is that in the ASEAN countries, governments do not seem to represent the public, but they seem to represent only a few number of the elite and upper class. A typical example is the Marcos Government in the Philippines. Even the U.S. Deputy Assistant Secretary of Defense of the Reagan administration, which supports the Marcos government, said that after the assassination of Benigno Aquino, the New People's Army and other communist forces penetrated quite aggressively and they had 20% of all the villages in the Philippines under their influence.

Last May, I visited Mindanao, where NPA was very active, and it was called the "Nice People's Army" in place of "New People's Army" and supported strongly by the public.

I would like to hear from the journalists in the Symposium about their opinions concerning their own governments.

By posing this question, I would like to conclude my report.

Report

—The Mutual Relationship

Between Malaysia and Japan —

*Ahmad R. Arbee
Chief Editor
Bernama Communications Co.*



I would like to confine my topic this morning to a very general look at bilateral relations between Japan and Malaysia, my perception of it, and to some extent the general views of some Malaysians, and how it should be developed and improved. Some of the things that I am bringing up is, I am sure, not peculiar only to Malaysia but is, I think, quite common to the other ASEAN members. And what I am touching upon is also nothing novel or new but had in fact been voiced by various people and groups in Malaysia, both publicly and privately.

Now, relations between Malaysia and Japan in fact reached new heights during the current administration of Prime Minister Dr. Mahathir Mohamad, when he announced the so-called "Look East Policy," very soon after he assumed office in July 1981. This policy stems from the fact that the Prime Minister is a long admirer of Japan, a country with few natural resources but yet managed to build itself from practical ruin in the aftermath of the Second World War into an economic power second only to the United States. And all these achievements were made through the sheer resourcefulness of its people. From the Malaysian standpoint, if there is a country and people worth emulating for it to achieve success and self reliance and to gain global respect and admiration, then it has to be Japan and the Japanese.

But, now, suddenly and certainly to some Japanese quarters, out of the blue came a scathing attack on the Japanese by none other than Dr. Mahathir himself, when he opened the first Malaysia-Japan Colloquium in Kuala Lumpur on 27th of August this year. And the fact that he himself was not present to deliver the speech was not lost on the Japanese participants as well as observers at the colloquium. They began to look for answers to this criticism and why the Prime Minister had said what he said.

Mr. Nakao of the Mainichi has made some comments on it. And I would like to elaborate a bit more.

Now, looking back, was it really an attack on Japan? To me I do not think so. And I think anyone perceiving it to be an attack has, I think, misread him. To me the speech, no matter how strongly worded it was, is a reminder. It was in fact a friendly reminder from an admirer that a relationship to be endured and to be able to meet the test of time needs to be on the basis of being mutually beneficial and not a lop-sided relationship benefitting only one party at the expense of the other.

This was obvious when he referred to the current Malaysia-Japan economic relations as confirming to the classic pattern of economic colonialism, where the colony becomes merely the hewers of wood and drawers of water to the master. Such unequal relationship is obviously not healthy and has to be changed if tension is to be avoided. One way, so far as Japan is concerned, is not to be insensitive to Malaysia's aspirations to industrialize and to be a manufacturing exporter and ultimately to be self reliant. Japan and Japanese concerns should not look upon the Look East Policy as giving preference to everything Japanese and thereby to be exploited for profit. He in fact called on the Japanese to look not only at what they can take but also at what they can give.

And, of course, despite the criticisms the Look East policy remains. It has not been abandoned simply because it is a sound policy and a lot of Malaysians think so. What needs to be changed is the false perceptions of it and the attitude of some Japanese towards it.

Dr. Mahathir never known for mincing his words has this to say, and I quote: "Malaysia's Look East policy does not mean that we want Malaysians to be Japanese. We do not mean that

Malaysians should eat maki sushi and shabu shabu and wear kimonos. It does not mean that we should per se buy Japanese or sell Japanese. It does not mean that awarding per se of contracts to the Japanese. It is not an invitation to arrogance or insensitive behavior." I close quote.

Now, the Japanese may be taken by surprise over this critical look at their response to the Look East policy. But I must say it is not an isolated criticism. A lot of Malaysians had even, from the very beginning, expressed apprehension over how certain Japanese quarters would respond, knowing how good the Japanese are at exploiting a given situation to their advantage. The businessmen in Malaysia were afraid that the government would favor Japanese goods and services, not because of their competitiveness but merely because of being Japanese.

Ant it is not unusual for a Japanese company to make use of the Look East policy to force a Malaysian civil servant to accede to his certain requests. Neither is it unusual for a mid-level executive of some obscure Japanese company visiting Malaysia, for example, to expect to be able to call on the Prime Minister, whereas in Japan — I stand corrected — it is unthinkable even for a chief executive of a major Malaysian company to expect to be able to call on the Japanese Prime Minister whenever he visits Japan.

Now, what is becoming obvious to Malaysians was that following the Look East policy Malaysia seems to be getting the short end of the stick, whereas it should rightly be developed to enhance Malaysia-Japan relationship to their mutual advantage. Any relationship to be enduring and cordial has to be on that basis of mutual interest and not just of self interest.

And I think it is not unreasonable for Malaysia to expect Japan to show some sensitivity to its economic and industrial aspirations by, for example, opening its market to Malaysia. It is also obvious that the Look East policy has benefitted Japan. It has not only contributed in making the trade imbalance between Malaysia and Japan wider but also in providing increased construction work for Japanese companies in Malaysia.

By saying so, I am not implying that there is nothing good in the relationship. I think the Japanese government civil servants are quite sensitive to the Malaysian aspirations and are quite sincere in trying to help Malaysia, though of course when it comes to requests that could compromise Japanese interests, then it is not willing to budge. One example of this is, of course, the landing rights for Malaysian Airline System aircraft in Tokyo for the MAS-Northwest Orient Airline joint operations to the United States west coast.

There had been numerous forums and dialogues between Japan and Malaysia as well as Japan and the other ASEAN partners. For Malaysia, there is the annual Jameca-Majeca dialogues where most of these uneven economic relationships had been discussed over and over again, but had not necessarily led to any conclusion. Things remain as they are with no solution in sight, so much so that there has been criticisms that the dialogues are part of a conscious Japanese strategy to keep the dialogue going but not to actually overcome the problem. I sincerely hope that this is not so.

There is thus definitely a need to improve understanding of the Malaysian aspirations among the Japanese business circles and the Japanese people as a whole.

There is need for more cross cultural flow between Japan and Malaysia or ASEAN as a whole. It is not good just to get the people in ASEAN to know more of Japan. There is also need for the Japanese to know more of ASEAN, as my friend Fikri Jufri of Tempo mentioned. There is need for the Japanese to know more about the aspirations and needs of the peoples of ASEAN. There has to be reciprocity in this.

Just as there is a Look East policy in Malaysia, there probably is a need for a kind of Look ASEAN policy in Japan, so that outlook of the Japanese businessmen and people towards ASEAN is not just for trading or investment purposes. That is, ASEAN is not just a place to make money.

I do not know how much of the ASEAN countries the ordinary Japanese know. If their knowledge of ASEAN countries is negligible, then, shouldn't something be done to increase their knowledge of these countries, so that this could form the basis for better understanding and better relations with ASEAN countries?

As least, insofar as Malaysia is concerned, efforts have been made to get Malaysians to know more about Japan and the Japanese. Of course, these stem from the Look East policy and probably even earlier than that. The geography of Japan, for example, Japanese history are taught in schools. Japanese books are being translated into Bahasa Malaysia or the Malaysian language. The business leaders and civil servants are encouraged to read books about Japan, specially books on Japanese management, management techniques. The book, for example, *The Mind of the Strategist* by Kenichi Ohmae is made compulsory reading for all senior civil servants in Malaysia. These are some of the positive efforts done in Malaysia to get the Malaysians to understand the Japanese better. But I honestly do not know whether something similar is being done in Japan, so that the Japanese people could learn to understand the peoples of ASEAN better, thereby fully to get them to know the ASEAN or the ASEAN people.

JICA's program of heart to heart association between the Japanese people and the peoples of ASEAN seems promising and could definitely be started in a right direction. BERNAMA (The Malaysian National News Agency) where I serve is also making efforts towards this direction of trying to get Malaysians to understand the Japanese better, and so are the other agencies of the ASEAN countries like ANTARA of Indonesia, the Philippines News Agency, and the Thai News Agency. We do this by moving news items that we receive from Kyodo to our networks for our subscribers. BERNAMA currently have the direct 24-hour duplex teleprinter link with Kyodo, through which we exchange news items. BERNAMA also have direct teleprinter links with the other national news agencies of the ASEAN countries. Through these links all the ASEAN news agencies get the Kyodo items that are being moved to us over the line, which we again redirect or move onto the ASEAN news agencies, so that the ASEAN news agencies can then move these items over their domestic networks to their subscribers.

But these efforts on our part are not being reciprocated by KYODO. And what happens is that none of the BERNAMA items or the news items from the other ASEAN country news agencies are being selected by Kyodo to be moved on their networks to the Japanese newspapers, that are their subscribers. And the Japanese newspapers could do better coverage about ASEAN as well. In fact, I hardly see Malaysian news being covered in the Japanese press, while I have been here for the last four or five days.

I can only conclude that the newspapers here just as the Japanese people are just not interested and couldn't care less about ASEAN. I hope I am wrong.

Japan, I think, also needs to show a very benign face of itself to the people of ASEAN, where before the Japanese was first associated to being a military man and later as an economic animal, he could now change the image to being someone involved in community service in the country where he serves.

Japanese companies having interest in the ASEAN countries should for example be involved in

in community projects and get their executives to be so involved and not just be isolated among themselves, mixing among themselves.

In Malaysia, most of the non-Japanese multinationals and other big companies from the United States or Britain do involve themselves in community projects, or in community works, that would benefit the community, where they have their presence, or the population in general.

This sort of community involvement, I think, is lacking among the Japanese companies. And I think it is about time that they do, if they are really interested in helping to build the bridge of understanding between Japan and ASEAN countries.

Report

— Economic Cooperation in the ASEAN Countries —

Loreto Cabanes
Coordinating Economic Vice-editor
Bulletin Today



My colleague from Indonesia dealt on the political issues in Asia as concerns Japan. My colleague from Malaysia dealt more on communication or heart-to-heart understanding between Japan and ASEAN. Mr. Nakao raised some intriguing political issues about the Philippines. I may say something on this during the discussion. He wants some more background information. I can invite him for a drink.

So on my part I will probably deal on the economic aspect of Japan and ASEAN relations.

First of all, I would like to express our appreciation for the opportunity given us to participate in this Symposium with other representatives from ASEAN countries and with our host. From the particular view of the Philippines, we believe that dialogues like this, if held more often, should be useful and contribute to a better understanding of the relationships between ASEAN and Japan.

If a symposium like this were held probably five years ago, the complaints between the ASEAN delegates against Japan and Japan delegates against ASEAN on the question of communications would not have been an issue today.

There is no doubt that increased international cooperation between Japan and the ASEAN countries and between the ASEAN countries themselves will be mutually beneficial for all those concerned. Perhaps it is well to note at the outset of our assessment of the future of socio-economic and political relations between ASEAN and Japan that we live today, in a world where the greatest potential for growth is right in our particular sector of the world, Southeast Asia. Western Europe and Japan have had economic miracles in the sixties or not longer after they had availed of foreign capital and technology from other countries that had survived the war and had become stronger economically than ever before. South Korea and Taiwan as well as Hong Kong and Singapore have been enjoying their miracles recently.

In this decade or the next, it should be the turn of the rest of Southeast Asia. Singapore appears to be already enjoying the status of a developed economy. Malaysia is well on the way. The Philippines has been more or less on the same plane of economic development as Indonesia and Thailand. They are all rich in natural and manpower resources. From a long term point of view, the ASEAN region should be the most promising and most exciting area of growth and the member states should be able to create their own economic miracles not long from now, hopefully.

Unfortunately for the Philippines, we have had some problems lately, political as well as economic, which may delay somewhat our timetable for attaining our development goals. We have made some mistakes in economic planning and the government has admitted this. We have made some miscalculation in our projections, which obviously has been reflected in our excessive borrowing and deficit spending. Some of our miscalculations may be attributed to factors beyond our control, such as the two oil shocks in 1973 and 1978, to the worldwide recession that followed, and the currency difficulties all these negatives have created. Admittedly, these are mistakes which may be categorized as errors in management.

We like to think however, that our failings are part of the growing pains that a developing country has to undergo in the process of development. We were probably in such a hurry to achieve our own economic miracle, and so we have committed the errors of indiscretion in the expenditure of our scarce resources. But what is important now is that we have discovered in the process of diagnosing our ills that some of the economic policies we have followed are no longer conducive or responsive to sound economic development. Therefore, we are now in the process of

changing and updating these policies and restructure our entire development program for survival in the near-term and steady growth in the long-term.

And here is probably where we believe that our relations with Japan, the ASEAN, and the rest of our neighbors will become more relevant and vital to the Philippine recovery and growth process. As a basis for projecting the prospects of greater trade relations and economic cooperation between Japan and ASEAN partners, let me outline briefly some of the major steps that we have taken to stabilize our economy and make the process of recovery and development more orderly.

First, we have pledged in the proposed economic program, which we are working with the International Monetary Fund and other international creditors, to contain inflation at home. This will involve largely in the initial stages some temporary freezing of growth to a zero or even negative rate. Then we have restructured our development planning by giving more emphasis to agriculture and agri-business and in effect shelved our more ambitious industrialization projects like petrochemicals, aluminum smelter, and even steel manufacturing. We have scaled down other major industrial projects like diesel engine and automotive manufacturing. The reason is not only that we do not have the investments required to put up these capital-intensive projects but that these are no longer viable from our point of view in a world where markets for their products have shrunk and where we cannot be competitive in the foreseeable future.

In our efforts to develop, we have relied quite heavily on foreign capital and technology. In the case of the Philippines, Japan is the second country to the United States as the source of capital and technology. But recent trends indicate the growing importance of Japan as the source of financing and technology for many of our projects. Probably the same trend holds true for the other ASEAN countries.

More than geographical affinity, the reason for this growing association between Japan and ASEAN may be the complementary need for each other in the economic scheme of things. Japan needs the natural resources that abound in the ASEAN as well as the huge market of 270 million people, while ASEAN needs the financing and technology from Japan to develop.

But in the ensuing exchange of transactions to meet those needs, both sides must recognize that one should not be above the other, that everything is fair, that both must respect each other's aspirations as a nation, and that any form of assistance to the less developed party be made without strings attached. In this regard, Japan for instance must answer through communications the question that now prevails in the minds of a typical ASEAN: Is it true that Japan is trying to accomplish economically what it failed to do militarily?

It is for this reason that we recognize the commendable efforts being done in our country by the Japan International Cooperation Agency. Perhaps, similar appreciation for JICA is also true in the other ASEAN countries. Of course, other Japanese agencies provide financing and technical cooperations with the rest of Asia, like the EXIM Bank, OECF, etc.

My country has been the beneficiary of a good number of economic cooperation projects with JICA. In terms of the expenditures by JICA in the Philippines, we have received a total of 32.7 billion yen, equivalent to 133.5 million dollars at the end of 1983 in JICA assistance. The bulk of this assistance was in the form of development surveys where about 70 projects were undertaken to date, consisting of irrigation, power, roads, urban transport, erosion control, port development, water supply, health centers and disease control.

The rest of the assistance were in training programs, expert assistance, health and medical cooperation, overseas technical cooperation, and the sending of volunteers.

More than 3,000 Filipinos had so far trained in Japan up to 1983 acquiring new knowledge and varied skills which in turn are imparted to thousands more of our country-men.

These trainees and those they eventually trained at home are now productively engaged in various aspect of our development or nation-building efforts.

They have acquired various know-how and technology in such areas as planning and administration, public works and utilities, agriculture, forestry and fishery, mining, industry, energy, commerce and tourism, human resources, public health and medicine, and social welfare.

I would like to enlighten you on a project type cooperation between Japan and the Philippines, which has been very successful so far.

I refer to the RP-Japan Forestry Development Project, which is now in its eighth year. The program involves the planting of trees over a wide area to create the manmade forest over the mountains of Pantabangan in Luzon, where a large dam supplies irrigation water to thousands of hectares of rice lands. This project caught my interest because it is a herculean undertaking by itself, to say the least. The watershed area that it seeks to reforest is now mostly open, denuded and where the soil condition is such that it is not only infertile but acidic as well, and where the weather is such as characterized by a long dry season. But through a combination of hard work, dedication, scientific techniques, and necessity, the Japanese and Filipino counterparts working on the project have so far successfully established a forest plantation of almost 6,000 hectares, since the first tree was planted in 1977.

Reviewing, however, the scope of cooperation assistance extended by JICA to the Philippines, I noticed that there has been a dearth of projects under the industrial development cooperation programs. In fact, there had only been two — the Pantabangan pilot project and the technical cooperation on the technological development of particle boards.

However, there were a number of projects which were listed under the development survey programs which may later entail industrial development cooperation.

Considering that we need to develop our industries also to a point that they could be a substantial contributor to our GNP, perhaps it might be well to take into account the need for more projects in industrial cooperation.

With Japan's vast experience as industrial and technological power in the world, there is no reason why the ASEAN region, with its equally vast inventory of manpower and natural resources, could not forge a cooperation scheme to develop these resources at mutually advantageous terms. These could be done through increased industrial development cooperation programs where JICA provides long-term, low-interest loans to Japanese corporations to fund modernization and expansion of existing manufacturing facilities in ASEAN countries.

In the case of the Philippines, this type of assistance is certainly most needed now when we are undertaking a major restructuring effort of our industries whose factories are mostly old, and require rehabilitation. In the process, our industries need precisely the type of funding that JICA can provide — long-term and low-interest to Japanese corporations.

Finally, I would like to offer a thought on human resources development. The greatest resources of any country is the people. It is obvious therefore that any program for economic development must put emphasis on manpower development. In our revised development program, as those in the past, the continued emphasis has been put on human element. Our program places high priority on the establishment of industries and undertakings that are labor intensive.

A total of 700,000 new entrants to our labor force annually is a heavy burden on our development efforts. This is why our government provides numerous incentives to ventures that require more workers rather than capital-intensive projects. However, we have a large pool of technical as well as unskilled manpower that cannot find employment at home either because many of them have not been trained for the jobs now available or that there are not enough job opportunities for those who have been trained for various types of technical jobs.

The most serious aspect of our manpower problem is that we have too many trained technicians and highly qualified professionals who cannot be employed productively for lack of employment opportunities. This reflects the imbalance or lack of coordination between our educational and manpower training program and our overall development program. We have not been able until now to create as many jobs as fast as we train our manpower. So, many of them have to migrate to other countries like the United States or Canada where they have been able to find suitable and better paying jobs.

Many more have to be exported to the Middle East and to the neighboring ASEAN countries to work as construction workers, maintenance men, and other jobs. This so-called "brain drain" is a problem that we have not been able to tackle effectively until now.

Therefore, any updated economic development program that we shall be pushing in the next ten years should take into account a better coordination or harmonization between manpower training and development and the opening of new industries that can absorb the new trainees and graduates of technical schools.

In closing, may I say that after all we have gone through, I believe that the Philippines will survive politically and economically. With the continued cooperation of Japan and other ASEAN neighbors, the recovery process could be accelerated.

Report

— Trade Problems —

Kunimasa Tsunehiro
Editorial Director
The Yomiuri Shimbun



I am going to talk mainly on trade issues.

Partly due to the responsibility of journalists, when we think of trade issues, we think of trade between Japan and European countries and the U.S. But, half or more than half of the trade is with developing countries. If we take Asia as an example, 50 percent of imports and 35 percent of exports from Japan are with Asian partners. So, in that sense, Japan is not taking the relationship between Asian countries lightly, and I would like to stress this point.

ASEAN represents major countries in Asia, and as to relations between Japan and ASEAN last year, Japan's trade was in the deficit, because of import of the energy sources, such as oil from Indonesia. We have more imported from Indonesia and Malaysia, and as for Singapore, Thailand and the Philippines, the trade relations are in favor of Japan, through the first half of this year our trade with the Philippines showed a slight deficit. In order to sustain economic growth, those countries have to expand trade and have to obtain surplus of trade.

I think the present problem of trade deficit can be solved only by expanding trading between countries, which is needless to say.

For that, Japan should open up its market to developing countries to a further degree. Prime Minister Nakasone considers the measures to open up the market to developing countries very important, and he has indicated that we should formulate a new package of measures for market-opening. But, it is difficult at present, because most of the imports from those countries are agricultural goods, and the Ministry of Agriculture, Forestry and Fisheries is against these measures. We are not sure whether or not we can actually formulate some opening up measures by November as planned.

We have been stressing that it is important to open the market particularly to developing countries, and we are going to continue to stress this point. But what we have to think of is the specific nature of the Japanese market. "Specificity" might not be the right word to explain the Japanese market, but it is true that the Japanese market has very different factors from other markets. I would like to elaborate on this point by examining the consumers and the distribution system. Japanese consumers are perfectionists, demanding 100% faultlessness. They are very strict as to quality, I will give an example of clothes, if a thread is unraveling, they regard the clothes as defective and return them to the supermarket or the department store where they bought them. The store has to apologize to the customer, and this will also harm the reputation of the store. Even if one button is off, it is a serious negligence on the part of the store.

Sometimes, our trade partners do not pay enough attention to these small points, I am not referring to developing countries alone. It is the same with advanced countries. We are not saying that Japan is on a different level of development from developing countries. The Japanese market is just different from that of advanced and developing countries. As for distribution, the Japanese seem to place emphasis on a long-term transaction, so instead of jumping at every cheap product or good and attractive product on a spot basis, they would rather like to have long-term business relations. Japan is often criticized as a closed society. Certainly, we tend to conduct business on the basis of long-term transactions and accumulated human relationships. Even if some new merchant who is a stranger to Japan says he has a very good product for a cheap price, sometimes transactions do not take place. For example, as for newsprint, Japanese newspaper companies do buy newsprint from Japanese paper manufacturers. Sometimes, foreign manufacturers come to Japan to solicit business, but since Japanese companies do not have any inventory of newsprint,

they have to have a delivery of an appropriate amount of newsprint every day. If transportation stops, we don't get a delivery, then we cannot publish newspapers for that day at all. Since our circulation is several millions, we will suffer from devastating damage.

As for the just-in-time inventory system of Toyota Motors, it works only because subcontractors and suppliers deliver necessary parts exactly on time, almost in terms of the minute, or else they will have to stop their assembly lines. That is why we place great emphasis on long-term transaction and human relationships with our suppliers. Unless you realize the importance of this, you cannot sell any goods to Japan. Developing countries, as well as advanced countries, do not seem to understand this point, and have not made enough effort in this domain.

Let me talk about the world economy in general and its relationship with exports of developing countries. If the world economy is in good shape, developing countries can increase their exports, so they have to have a wide perspective from a global viewpoint.

Some developing countries seem to have had a tendency simply to be recipient countries of foreign trade, to tease for assistance, though the situation has been improving. Since trade needs some foreign partners, you have to take the world economy and the economic policies of trade partners into consideration. I hope you will deepen your interest in these aspects.

Based on my observations, I would like to point out two or three things which I think are important for the future of world trade. One is the confirmation of economic principles, which we often call "market mechanism." Without the market mechanism, we cannot have a trade of any goods, the only thing we can do is economic cooperation. So, it is important to confirm the market mechanism and principles.

Of course, we should not take so much advantage of the market mechanism and pursue so much profits as well. Whether we have excessive profits or not can only be discussed case by case. Of course, we have to eliminate excessive profit-making, but we should not reject the principle of market mechanism itself.

The second point is that, in the case of Japan, the pursuit of profits was the driving force for its development. To make profits, everybody worked hard and made good products at a low cost. Also, the Japanese make an effort to produce products which meet with the needs of trade partners' markets and the tastes of consumers. That is the main driving force of the Japanese economic miracle. This profit-driven motivation should not be looked down upon.

The other point is competition. In the domestic market, there always have been very severe competitions among industries and among enterprises, and that is how they have obtained their competitive edge. I believe that led to the better quality and low cost of Japanese products. Trade and economic activities without competition cannot exist. We should keep this in mind.

As for specific problems in the relationship between Japan and Malaysia, there is a problem of an airline. I think Japan should handle this in a positive manner. But the Japanese Ministry of Transportation and other airline companies are quite against it. I am not an expert, but I do not think this problem will be solved quickly. We have to continue negotiations on long-term viewpoints.

If ASEAN countries place an emphasis on the route, which goes via Japan to the U.S., maybe there should be a joint negotiation or some other means of approach.

Most developing countries, not all the ASEAN countries, have huge budgets for military equipment. From a political point of view I am afraid it is inevitable, but assistance or aid from

advanced countries and developing countries' expenditures for weapons are reported to be about equal in amount, according to a survey. We have grave concerns about this.

In order to expand trade, each country has to have sound national policies. The Research Institute of Asian Affairs made a survey, and according to the survey, the economic growth and trade expansion of Japan and the U.S. will benefit the ASEAN countries. The degree of the benefit varies widely, depending on the effectiveness of their domestic policies against such problems as inflation and accumulated debts.

So, unless they have sound domestic policies, any kind of trade expansion or international assistance will not really contribute to the betterment of the population in that country. A relationship between the ruling government and the public has some room for improvement, as Mr. Nakao mentioned.

As an example, how much freedom the mass media has to criticize the government can serve as one of the criteria. In Japan, it is often said that the Japanese newspapers criticize the government too much, but to have the freedom to criticize the government is essential to the freedom of the mass media. I think there is room for improvement in developing countries on this point as well.

As to Japan's relationship with ASEAN, we should be fully aware that circumstances of each ASEAN country differ quite a bit from country to country. ASEAN is not one group, and we have to have a separate approach, which will meet the needs of each country.

From a macro-economic point of view, Japan is now proposing a new round of GATT. There is a growing tendency of trade protectionism all over the world, particularly in the U.S. and European countries. Japan is in a position to fight back against this advent of protectionism. Protectionism should be rejected because it prevents the improvement of the living standards of the people in every country. From this perspective, I hope that the ASEAN countries will try to make efforts to promote the new round, and also to stop protectionism. The world will see the era of Asia in the near future. In 1980, the U.S. trade with Pacific basin countries exceeded that with European countries for the first time, and this pattern has been continuing since. The U.S. and European countries are taking more and more interest in the Asian region. I hope Japan and ASEAN will continue to make efforts toward the mutual prosperity which is based on mutual understanding.

Report

— *Mutual Understanding* —

Teo Han Wue
Editorialist
The Straits Times



First of all I would like to thank the Japanese Ministry of Foreign Affairs and Japan International Cooperation Agency for the kind invitation to take part in the symposium.

The symposium with its theme "ASEAN and Japan — Today and Tomorrow" underlines yet again the interest of the organizers in not only economic development but also mutual understanding.

Personally I am excited about the occasion, because it offers an excellent opportunity for me to see Japan and for us participants to share our experience of each other. It is, I feel, through contacts and exchanges such as this that one gets to learn a good deal about oneself as well as others.

Indeed heart-to-heart communication will be a matter of great concern in cooperation and mutual understanding if we look beyond today and towards tomorrow.

In Singapore, since the encouragement to the people by the government to learn from Japan, Singapore has been looking to Japan in learning experience and such things as the "koban" (the police box) system and even match-making services.

The three projects that JICA is sponsoring in Singapore are closely connected with the government's effort in the restructuring of the Singapore economy which emphasizes on new technology industries and higher productivity through automation.

The projects are (1) Japan-Singapore Technical Institute, which works in conjunction with the Economic Development Board the Polytechnique, (2) Japan-Singapore Institute of Software Technology which also works in connection with and together with EDB (the Economic Development Board) and (3) Productivity Development which is a project under the National Productivity Board. These are all new programs set up in the last three years jointly by the Singapore and Japanese governments to upgrade the skills of existing industrial power as well as to train newcomers in the required skills of higher technology in Singapore. The total budget of these projects amounts to more than 5 million U.S. dollars a year borne by the Japanese government, with Singapore providing mainly the premises and the basic operating cost of the projects.

The biggest and perhaps most important of the three projects is Productivity Development which is a 3.2 million U.S. dollars a year program under the National Productivity Board. It provides technical cooperation and grant aid in the form of expertise, hardware and software. It is aimed at raising productivity mainly through Japanese management methods.

The other two projects are devoted to training in technical skills and computer programming and systems analysis. They are aimed at developing practice-oriented technicians and professionals in close interaction with the industrial community.

There is little doubt these efforts will continue and gather momentum as the parties involved in these projects forge ahead towards development. And for many more years to come, even after the projects have fulfilled their specific goals, Japan and Singapore will hopefully be in closer partnership because of this cooperation.

With such prospects, human resources development, particularly for Singapore which lacks other resources, will lead to greater productivity and growth.

However, while such technical cooperation might perhaps give one the impression that everything is looking good, one also wonders if this is the only thing that matters between the two countries.

Indeed many people feel that relations between Japan and the ASEAN countries are a little

more than economic, and therefore need to be expanded to include social and cultural aspects.

Japan, it is often said, continues to be viewed by ASEAN countries as an economic machine. While it has gained considerable understanding through its extensive network activities, its efforts in cultural exchange aimed at improving mutual perception is found inadequate.

Actually, it appears that Japan has a better understanding of its partners in ASEAN than they have of it. There are also those in Singapore who hold the view that the Japanese interests in learning about the ASEAN countries is confined to a small group of people in the academia and mainly motivated by economic considerations rather than a genuine interest in promoting understanding, not to mention mutual understanding.

The close manner in which the business community conducts or the Japanese business community conducts themselves, that is, the reluctance to participate in the local community, does not help to change the impression that they are there to make money.

According to a report, Japanese culture has little worldwide influence despite the country's great economic achievements and financial support for international organizations like UNESCO. For example, the United States International Communication Agency has 8,000 employees and 127 overseas offices. West Germany's Goethe Institute has 2,700 people or employees and 114 offices overseas. The British Council, too, has a large world network. I am sorry I haven't the figures — the Japanese Foundation meanwhile had, as of 1980, only 10 overseas offices.

In my work I come across many Japanese experts mostly from research institutes who are keen observers of cultural and social activities in Singapore. They frequent Singapore to study subjects ranging from the street operas to the organization of traditional finance companies. The work is truly impressive.

A Japanese professor once won the hearts of a large audience at an international writers' conference held in Singapore with his talk in immaculate Mandarin on the study of Singapore writing in Japan.

On another occasion, I talked to a few members of a team of sociological researchers on a field study trip in Singapore. Their interests ranged from the Malay customs to the dialect operas in temple festivals and they told me that they often visited Singapore and Malaysia to carry out their work.

I have also heard from colleagues and people who have studied and lived in Japan that translation is a highly developed and important skill, meaning translation from a foreign language or foreign languages into Japanese. This is one way through which the Japanese learn about peoples and cultures quickly and effectively.

However, Japan's thirst to know about others, which is a positive thing, is not matched by the effort to acquaint others with its own culture. Its capability to obtain information is developed but its potential to tell others about its people and culture has unfortunately not been fully exploited.

There is a manager, a Singaporean manager working in a Japanese firm, who is Japanese educated; he has been writing enthusiastically about Japanese art and artists in the Chinese newspapers. His articles have generated considerable interests and contributed significantly to the knowledge of the subject in local circles. However, he is about the only person writing about Japanese art and culture, introducing it to the Chinese readers in Singapore. And he has often lamented to me how frustrating it has been for him to gather research material from even official

connections including the Japanese embassy.

In our newspaper we receive regular newsletters or bulletins from the British Council, Goethe Institute, and Alliance Francais, giving detailed information about their respective cultural activities like art exhibitions, concerts, films. The Japanese counterparts seem to be inactive in this regard.

In the last two international arts festivals held in Singapore in 1982 and 1984, art from many countries were represented. The only Japanese item many people would remember of these two festivals was the Takarazuka Revue which performed in 1982. I do not know why Japan was not represented in a much bigger way than this. I would have thought participation in such events as the arts festival would have created a more lasting impact.

Of course, there are the usual Japanese arts festivals film festivals, calligraphy exhibitions, and so forth in Singapore. But compared to what the Alliance Francais, the British Council, the Goethe Institute do there, they are relatively insignificant.

For the close partnership between Japan and ASEAN, this area calls for urgent attention and adjustment.

Because of the long history of study in the West by Southeast Asian students, the number of students who have studied in Japan has been extremely small in comparison.

In Singapore, those who have attended universities in Japan number only a few hundred. I may be wrong in giving these figures, but correct me if I am wrong. They are just too few to contribute significantly to greater mutual understanding.

Apart from history, a knowledge of Japanese language is the critical factor in the number of Singapore students coming to Japan for further studies. It is observed that most of the Singaporean graduates from the Japanese universities have had the advantage of a Chinese education which enabled them to learn the Japanese language more easily and appreciate the Confucian precepts in the Japanese tradition.

Singapore in fact already has the right conditions. That is facility in Chinese and Confucianism programs to facilitate the learning of the Japanese studies, if both countries would take advantage of this, especially now at this moment with the swing towards learning from Japan.

I realize that today's discussion is focused on economic cooperation and human resources development; however, in the past few days of our stay in Tokyo, the expression "heart to heart communication" cropped up again and again in our conversation with JICA friends and other people, as though it is the main theme. Indeed, heart and heart communication is essential in bringing about closer relations between ASEAN and Japan or between any other two countries who treat each other with sincerity and as equals.

Of course, it will be unrealistic to expect a change overnight. But if we have made a start in this direction today, we will see a better tomorrow.

Report

—The Creation of Human Resources and the Role of the Newspaper—

*Sunao Suzuki
Editorial Director
The Asahi Shimbun*



As there are a lot of newspaper people here, I would like to talk about the role of the newspaper in human resource development.

Now, "human building," is a catchphrase of the Japanese economic cooperation programs. We have viewed Japan's high level of education as one of the driving forces of its economic growth. The very rapid economic growth of the ASEAN nations and their educational level notably high among developing countries confirmed our view. So we have started to use the catchphrase "human building" in around 1980.

In January, 1981, our former Prime Minister Suzuki visited ASEAN countries and he proposed a project on human resource development. Various development centers have been established since, as you may know. I have not been there, but I've seen some motion pictures. Appropriate types of technologies are being developed, and the centers seem to be doing a good job.

But, if there is any problem, according to my thinking, I assume that the fundamental problem of human building development is whether or not it will truly be developed by the community receiving such aid through their own resourcefulness and innovation. As of now, places for education and training have been provided, here and there, but the people themselves must expand and organize them into effective operation. Since peoples' resourcefulness and innovation often lie at the bottom of society, it is imperative to secure such a social system that will draw out the resourcefulness into use and stimulate it.

Last year I went to Kenya and talked with some of the Japan Overseas Cooperation Volunteers there. One of them, a teacher of a secondary school said that his students passed the tests on science and math and then were just as good as the Japanese students. They however could not find a job, he said, regretting over the sad situation of his students. Our secondary school children are perhaps in the top-ranking level among developed countries, especially in mathematics.

But, as I said earlier, in Japan and in Southeast Asia a high-education level motivates economic development. However, the level of education is not the question. It's how adequate the social system is in making good use of education. The country may have fine labor, a good quality labor and an even quantity supply, but it must be a flexible and elastic social system which will nurture further development of this education. The key point for this kind of social system depends on the free flow of information and communication, and without that, education alone cannot contribute.

With the free flow of communication, people's resourcefulness at the grass-roots level can reach up to the top and vice versa. It shouldn't be a one-sided, one-way communication just going down from top to bottom. It should be interactive, and that is most important. This kind of interactive mutual communication is necessary and without it, the innovation of the people is not developed. To acquire advanced high technology, the social system must be equipped with this interaction. Whether it is an advanced country or a developing country, there are different levels as to the flow of communication.

I can categorize this flow into four levels. One is the information collected by the government in order to make policy decisions, and the second is the economic kind of information that will help make business decisions. Advanced countries have a huge amount of information which belong to these two levels and some of them, after having been produced, is used for government policy decisions and business decisions. In the form of government public relations or through

enterprise advertisements it reaches the people. However, so long as people are just receiving this in a passive way, the information will not contribute to their resourcefulness or innovation.

The third level is of mass-media communication. Even in Japan, the mass media depends quite a lot on information supplied by the government or the economic circle.

The fourth level is the people-based communication. As economic and social structures have changed rapidly, the traditional social communication is gradually coming to pieces in every country. The first- and second-level communication is highly developed, but the third and fourth, especially the people's communication is not sufficient, and lacks a balance with those of the first- and the second-levels. Without this balance, the social system cannot function efficiently and the people cannot become truly creative and innovative, I am afraid.

In advanced industrial countries, we have a so-called advanced information society, but there is a problem also. In an advanced information society, the first- and second-level information is liable to increase tremendously and becomes very rigid or inflexible so that the third- and fourth-level information gets neglected and the balance between them will be lost. In advanced countries, free-access to government-held information or documents is often demanded by citizens recently. This kind of citizens' action has come out in the context I explained here.

Under such structure of information, the newspapers particularly play an important role. In case of broadcasting, communication tends to be one-sided, mostly from top to bottom. But the people have the right to know and the right to be known. Government and business communication does not contribute to the latter, but newspapers can contribute a lot to the right to know and the right to be known. As an entity independent of the government and business, we must meet the needs of the people, collect accurate information and distribute it. This is full-fledged press, which will nurture an effective social system and make it function for the purpose of developing human resources in the long run.

Regarding communications, the Macbride Committee released a report called "Many Voices One World" a few years ago. The report pointed out that Japan has only 5% of the total Asian population but it has a newspaper circulation of 58 million which accounts for 66% of the whole circulation in Asia. 95% of the population, which amounts to a 2.2 billion people, share the remaining 34%. It is not easy to rectify this big imbalance in information quantity, but I think there is some room for qualitative improvement.

I would like to mention a few more points by referring to a research done by the Japan Newspaper Association and the Hawaii East West Center. They conducted a research on the international news of 29 newspapers published in 14 countries from October 24th to 31st, 1982. The result of this research has been distributed to you in English, which will be made public next week.

The surveyed newspapers include Indonesia's the "Kompas" and "Simar Harapan," Malaysia's "The Utusan Melayu" and "The Nanyang Siang Pau," the Philippines' "The Bulletin Today" and "Philippine Daily Express," Singapore's "The Strait Times" and "The Sin Chew Jit Poh," and Thailand's "The Thai Rath" and "The Nation Review." These ten newspapers were sampled. And from Japan "The Asahi Shimbun," and as a regional newspaper, "The Nishi-Nippon Shinbun" and "The Kochi Shinbun" were chosen.

The period covered by the survey was the last week of October in 1982. Nothing particularly newsworthy took place during the week. What did happen prior to the week was: on the 19th,

U.S. President Reagan met with President Gemayel of Lebanon and talked about the Mideast. On the 19th President Soeharto came to Japan. On the 24th, the 5th U.N. Disarmament Week started. By the way, the Asahi newspaper devoted a rather large space to report on disarmament.

On the 25th there was a sharp fall of the stock exchange which had kept rising. On the 28th, Japan's MITI talked with the U.S. regarding the rebuilding of the U.S. Chrysler Co., and also on the 28th, Spain had a general election and the Labor Party won. On the 29th, the Food and Drug Administration of the U.S. authorized commercial production of human insulin. No international incident took place. I imagine this eventless period was chosen of purpose to see how the newspapers of the 14 countries conduct their ordinary, day-to-day reporting.

And, if you look at what we have distributed, you can see, that both in the Japanese and ASEAN newspapers they tended to report a great deal of U.S. news, and next comes European news. The ASEAN newspapers did show a considerable amount of interest in what went on in Japan, but the reverse could not be said on the part of the Japanese newspapers. I am a staff of the Asahi newspaper, and I think this is true with the Asahi.

Ten newspapers of ASEAN carried a total of 4,064 overseas news articles, of which 1,269 or 31% made reference to the U.S. The Asahi newspaper carried a total of 671 international news articles, of which 286 or 43% referred to the U.S. Now, look at the ASEAN nations, in order and the number of articles, in the case of Indonesia, it's U.S., Japan, U.K., Soviet Union, and China. In the case of Singapore, it's U.S., Malaysia, U.K., Japan, and China. In Malaysia it's U.S., Singapore, Japan, Hong Kong, and China. In the Philippines it is U.S., Soviet Union, China, etc. and in Thailand, it's U.S., U.K., Soviet Union, and so forth. In this way, the ten ASEAN newspapers carried 450 articles on Japan in this period, which accounted for 11%.

In the case of the Asahi newspaper, the U.S., China, U.K., France, Soviet Union was the order and the ASEAN countries did not come even within the 10th rank. Asahi has six correspondences in ASEAN countries, as many as in the U.S. But the references in the articles were few. Putting together the five ASEAN countries, the average per nation was a 1.2% rate of reference. According to the totaling of the three Japanese newspapers, the rate of reference showed a big gap. For Malaysia, there were 27 times, for Thailand 13 times, Singapore 9 times, the Philippines 7 times, Indonesia 6 times. Like this, the gap is so big, though for Indonesia the research was held immediately after the visit of the President to Japan. In this survey, we noticed the report on the sharp decline in U.S. stock market. The Japanese newspaper followed this in detail. Knowing of the stock exchange doesn't help knowing of the U.S. as a whole, and that is true, but the readers want a lot of information about it, at the same time with the economic-political reasons. The ASEAN newspapers also report more on the U.S. and Europe and the same could be said for Japan. But, in face of the figures, I think the journalists have to frequently reconsider the news value to provide information necessary to the public.

In the case of international news, sports articles are very frequent. The panelists also have this separate handwritten sheet distributed. Simar Harapan, the Thai Rath, the Strait Times, the Nation Review, these four had the most frequent articles on sports of one kind or another. In China, Shanghai Bun Wow ranks sports 1st and the Peoples Daily ranks sports 4th. Sports news seems to attract the human interest, and it contributes a lot to the international understanding beyond nations' ideologies. The Japan Newspaper Association did conduct research in February 1979 of a similar kind of survey. Only the English newspapers in Southeast Asia were sampled on interna-

tional news depending on the news agencies, such as AP, UPI, Reuter and AFP, but now OANA-Bernama Xinhua News Agency, Antara News Agency, in Indonesia, the Kyodo News Service were also quoted. OANA is the abbreviation for Organization of Asian Pacific News Agencies which 24 news agencies from twenty countries in the Asia and Pacific region participate in. Since 1982 they have been organizing the ANN, that is the Asian Pacific News Network, through which they mutually exchange 850-word news a day. This is a part of new world information communication order, and the OANA President, the leader newspaper, is the Bernao, represented here. I hear the withdrawal of the U.S. obliges UNESCO to cut the grants, the training budget, and so on, amounting to 800 million dollars a year, by half. On the other hand, UNESCO has the ICPD, the international communication development plan, that is going to be slowed down due to U.S. withdrawal (from UNESCO).

In the advanced industrial countries, some think this new information order may actually lead to government control of information or even of news agencies. But I think nevertheless it is much better to have a mutual exchange of information among the news agencies. We have about 80 newspapers in Japan. A few of which have permanent correspondents throughout Southeast Asia, news agencies such as Kyodo or Jiji Press. Even national news agencies can contribute much to regional communication and will in the long term contribute to the development of the free press.

It's difficult to establish the free press with the assured capability of information collection, accumulation and distribution and the free utterance to the government and the economic circles, for it needs financial basis and stable readers, the middle class and intelligentsia. But the professionalism of journalists is already established in Southeast Asia. I think it is very significant for JICA, which is holding "Human Resources Development," to hold a chance of journalists' exchanges of professionalism.

Report

— The Economic Relationship Between Thailand and Japan —

*Alongkorn Ponlaboot
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Naewna*



I am most honored to be given an opportunity to speak on the subject of Thai-Japanese relations on the eve of the tenth anniversary of Japan International Cooperation Agency, so-called JICA. I will try my utmost to avoid touching on a much broader subject of Japan-ASEAN relations. Because I believe that in so doing one can find himself dealing with a much more perplexing situation. Of course, there are several similarities in the social and economic conditions among the ASEAN countries, but the difference is vast in many areas. For instance, if we compare Singapore with Thailand, although the two countries have geographical proximity, the two societies are vastly different in terms of resources, the stages of their economic development, population size, and leadership style. The basic conditions in the two countries have inevitably played a large role in shaping their relationship with other countries, in this case with Japan. Therefore, I will try to focus on only relations between Thailand and Japan to avoid any vague generalization that will not make any of us understand better the characteristics and the stage of relations between Japan and ASEAN.

Japan-Thailand relations dated back as long as 400 years ago, which was later disrupted by Japan's close-door policy. At the end of the Second World War, economic ties between Thailand and Japan became ever closer than before, as the two countries entered an agreement to exchange goods because of Japan's lack of foreign exchange. Thai rice shipments helped relieve the near famine situation after the destruction of the war in Japan. In return, we imported some Japanese consumer products mainly textiles. In the '50s, Japan managed to enlarge its market share of consumer goods in Thailand which has long been dominated by the British and Americans. By 1960s, the Japanese dominance in Thai markets appeared on the horizon, as trade volume grew steadily at a high rate. While the Japanese economy has developed into a highly-industrialized one over the years, Thailand remains an agriculture-based economy. Thailand exports mainly rice and raw materials to feed Japanese people and Japanese plants. Industrial goods with high a value added ranging from heavy machinery to cosmetics from Japan are shipped to Thailand, in exchange with Thailand's cheap agricultural products. This has resulted to our trade imbalance with Japan, which has grown worse in recent years and appears to worsen in years to come. Last year, Thailand's trade deficit with Japan shot up to 36,804 million bahts or a half of the total trade deficit with all other countries.

The trade imbalance has resulted in capital flight and greatly weakened our currency. There are suggestions from several quarters in Thai society, especially in the academic establishment, calling for devaluation of the baht to increase the competitive edge of Thai goods in overseas markets, while making consumers of foreign, mostly Japanese products more expensive to discourage over-consumption of luxurious goods.

The issue of currency devaluation has a great deal of political implication in nature. Even if it is economically viable, it is difficult for the government to remain in power after such a devaluation. The pains are obvious, but the devaluation is recommended to solve the chronic trade imbalance. At the same time, the National Economic and Social Development Board, so-called NESDB, Thailand's supreme economic planning body, has proposed a set of corrective measures which are considered to be better but necessary in order to bring the trade deficit with Japan under control.

The economic planning agency has come up with a complete package for seeking a restructure in economic relations with Japan. The NESDB package divided into three phases for the govern-

ment to deal with Japan, was endorsed by the Council of Economic Ministers on July 16 this year. The restructure will emphasize three areas of bilateral economic relations: An attempt to reduce the trade deficit, Japanese investment in Thailand, and annual Japanese assistance programs including the yen loan. The package consists of short, medium and long term plans for implementation covering the three areas.

Under the short-term plan, the NESDB package suggests that Thailand has to pick agricultural commodities and products which have top priority for negotiations and also the quality of Thai products must be improved to suit Japanese consumer preference.

Under the medium-term plan, Thailand will want Japanese loans for export development. The loan will have to be channelled through Thai financial institutions in both public and private sectors, which will lead to joint efforts between Thai and Japanese businessmen in import and export financing.

Under the long-term plan, there is a need for an integrated approach towards product research and study on the marketing system.

In the field of investment, there is a need for readjustment. The present structure of Japanese investment in Thailand concentrates on manufacturing for import substitution. Moreover, there were problems in foreign exchange transactions between Japanese parent companies and their subsidiaries and the joint venture companies in Thailand. These transactions were made mostly through branches of Japanese commercial banks in Bangkok. The NESDB package points out that the Japanese firms are not keen enough to implement the transfer of technology to Thailand. It, however, admits that Thai regulations and laws are not attractive enough for investment, and there is the need for clear interpretation. In this area Thailand will seek a review of all agreements and accords. The economic planning agency also suggests that investment in manufacturing should give more emphasis on consumption of domestic raw materials.

For joint venture between Thai and Japanese firms, the NESDB package says that products made in Thailand should be exported to third countries and Japan and they should not be confined to domestic supply or exported to only ASEAN countries. Funds granted by Japan through the Overseas Economic Cooperation Fund should be used to support manufacturing for exports, particularly to Japan. It also recommends that Japan should provide financial support to medium-sized industries in the free zone with assistance from JICA, OECF and ODA. At the same time, Thailand should ask Japan to allow bidders OECD countries to compete for projects for which the Japanese government provides engineering design loans. Because at the present, the OECF loans have strings attached. Engineering design loans must have competitors from Japan and developing countries. The NESDB calls for a three year indicative plan listing the priorities in technical need, while a pattern for trade and joint venture by private sectors of the two countries will be set with the formation of investment guarantee funds.

The proposal of NESDB reflects the seriousness of our trade tie problem.

Trade between the two countries has been in Japan's favor for more than 25 consecutive years, and the disparity has been widening to an alarming scale. That amount of deficit increased by five-fold in ten years from 6,619 million baht in 1973 to 36,804 million baht in 1983, the average annual rate of increase in trade deficit is 23.7 percent.

The trade imbalance which is believed to be a potential timebomb that could rock the good relations between Thailand and Japan has forced the Thai government to seriously try to find a

solution to it. The National Economic and Social Development Board, the supreme economic planning body, has proposed a number of structural changes in the economic trade relations between Thailand and Japan that I already mentioned.

Japan, on its parts, cannot overlook or ignore the on-going trade problem, if she really wants to continue having a good relation with Thailand. And a trade problem is such a complicated issue that requires serious consideration on a bilateral basis from the Japanese side.

In July this year, Thai Prime Minister Prem Tinsulanonda has stressed to the Japanese Minister of International Trade and Industry that "I wanted to see a great fairness in bilateral trade relations between Thailand and Japan." His plea for fairness implied in the most outright manner that there has been "infairness," I stressed infairness, in trade ties between the two countries. Prime Minister Prem singled out Thailand's heavy trade deficit with Japan as the major problem.

At the following ministerial level meeting between MITI and Thai Commerce Ministry, which was the first in the past five years, both sides failed to reach any concrete agreement, except for Japan's decision to buy 600 million bahts worth of Thai rice for assistance to the developing world. The rice deal came at a time when Thailand has encountered a number of setbacks in its traditional markets due to increasing competition in those markets.

The Thai Commerce Minister, Kosol Krairiksh, warned that the trade problems, if remain unsolved, could turn into "a major political issue." And at that stage, both sides would be less capable to solve it.

To make my point clearer, I would like to give you the most vivid example that took place only recently.

The Thai Government established a high-level committee headed by our Deputy Prime Minister, Bhichai Rattakul, to look into what can be done to reduce the trade deficit with Japan. The committee has appointed three working groups, each handling different areas of relations between the two countries, namely trade, investment and economic assistance from Japan. The committee is supposed to come up with recommendations within the beginning of next year. If the trade imbalance with Japan continues to worsen as it has for the past two decades, the recommendations cannot be made different from those changes prescribed by the NESDB.

Nevertheless, don't be mistaken that Thailand's reaction is the way of passing the blame to Japan. But it has stemmed from the seriousness of the trade imbalance problem, which Thailand can no longer take lightly. Of course, actions from the Thai part alone cannot solve the bilateral trade imbalance. But Japanese cooperation is mostly required to reduce the hefty deficit figures that have haunted Thai economic planners for many years.

To improve the trade imbalance problem is to review Thailand's economic vitality. Should Thailand manage to regain strength and confidence in its economic outlook, Japan stands to benefit the most from that.

At the present, Japan is our biggest trade partner and the biggest source of our foreign investment. Therefore, Japan has played an important role in the Thai economy. Japan's dominant role in the Thai economy will remain or grow even stronger in the years to come. This could perhaps explain why Japan has provided my country with enormous economic and technical assistance, perhaps the largest supply to any ASEAN country.

I want to stress Japan's important and dominant role in Thai economics and want to take this occasion to thank the Japanese people and Japanese government for the aid to Thailand for the

past several years.

Ladies and gentlemen, the situation is beginning to force Thailand to review the structure of the economic relations between the two countries for our interests. At the same time, it is the wish of the Thai government and the Thai people to maintain good relations with Japan, so as to provide a solid foundation for our economic development efforts in the next century.

The efforts to correct the trade imbalance should come from both sides. And I would like to take this opportunity to call upon Japan to cooperate in improving the trade ties that will maintain the long-lasting and good relationship between the two peoples in generations to come.