

DOCUMENTATION

ASEAN and Japan on the Eve of the 21st Century

Speech by

Minister of International Trade and Industry, **Hajime Tamura**, in Bangkok, 15 January 1987

Your Excellency Minister of Commerce Montri,
Your Excellency Deputy Minister of Industry Korn,
Distinguished Guests:

1 It is a great pleasure to be with you here in Bangkok, a city justly proud of its long history and vivid culture. I look forward to hearing the ideas and opinions of all of those involved in enhancing economic relations between Japan and Thailand. This year is a memorable one for Japan and Thailand, since it is the centenary of the establishment of official diplomatic relations between our two countries. I should also like to take this opportunity to offer my hearty congratulations to His Majesty King Bhumipol for celebrating his 60th birthday this year.

This visit has given me the opportunity to have frank and fruitful discussions with leaders of Asian and Pacific nations. Bearing these talks in mind, I should like to share with you my views on the relationship between ASEAN nations and our country as we approach the 21st century.

Japan in the Global Community

2 Various changes have taken place in the world economy in recent years, such as the weakening dollar, plunging oil prices and falling interest rates. In such an environment, the United States is registering record trade and budget deficits, Western Europe is struggling with soaring unemployment rates, and many developing countries are confronted with mounting foreign debts. Thus, a number of countries are being forced to take painful measures to manage their economies.

With the rapid and substantial adjustment of exchange rates that has occurred since September 1985, Japan's current account imbalance is beginning to shrink as a general trend. However, massive surplus still remains.

For this reason, Japan has taken up the correction of its current account imbalance as a national policy goal, with the aim of bringing our economy into harmony with others in the world and expanding our role as a responsible, contributing member of the international community. Adjusting exchange rates will be of only limited effect in achieving this end. We also need to make our economic growth more dependent on domestic demand, while trying actively to adjust the nation's industrial structure.

Clearly, it is time for Japan to take a historic turn from its traditional economic policies.

The ASEAN States and Japan

3 The Asia-Pacific region, the most dynamic region in the world, will do much to stimulate the development of the world economy in the coming decades.

Most countries in this region are making a determined drive for economic development, refusing to succumb to the myriad problems they face. And some are now entering the stage of creating the healthy cycle of export and investment which has enabled Japan to achieve high economic growth. We watch their progress with great expectation.

ASEAN nations account for 10 percent of Japan's trade and 20 percent of its investment. Given the close geographical and cultural bonds between us, these percentages are surprisingly small.

Why is this so?

The reason, as I see it, lies in the traditional pattern of trade between Japan and ASEAN nations, which, up to now, has been a vertical division of labor with Japan exporting manufactured goods to ASEAN and ASEAN exporting primary products to Japan.

Need for a "Creative Relationship of Industrial Interdependence"

4 Today, however, ASEAN nations are making tremendous efforts to develop their economies through industrialization, with a view to breaking out of an export structure heavily dependent upon the export of primary products. To maintain the healthy cycle of export and investment that provides momentum for economic growth, ASEAN nations need to vigorously expand their trade in manufactured goods.

Japan, on its part, is in the process of making bold changes in domestic and foreign policies with a view to bringing our economy into greater harmony with those of the rest of the world. Particularly, prompted by the recent precipitous appreciation of Japanese Yen which has taken place recently, Japan has been trying to adjust its industrial structure by retrenching, for instance, the production capacity of some of basic material industries. Japan has also been endeavoring to promote its direct overseas investment and to expand its import of manufactured products.

In envisaging the economic relationship between Japan and ASEAN as we approach the next century, I should like to propose the development of what I call a "creative relationship of industrial interdependence."

By using the word "creative," I mean that Japan and ASEAN should seek not merely to increase the percentage of industrial goods in their trade, but to form new, multifaceted and multilayered relations through an expanded interflow of capital and technology, and achieve a horizontal inter-industry division of labor with the capacity for dynamic development.

In the process of establishing this relationship, we expect to see a more significant transformation in the economic ties between Japan and the ASEAN states than in the past.

5 The success of ASEAN nations' endeavors, and ours, will depend, more than anything else, on whether the world's nations are prepared to show a firm adherence to the free trade system and to fight against protectionism.

Last September, I attended the GATT Ministerial Conference in Punta del Este. I believe it was of historic significance that we were able to declare the launching of the Uruguay Round, overcoming various conflicting interests. The Japanese Government is ready to continue to cooperate with ASEAN to promote the New Round.

In parallel with these efforts, on the domestic front, we will need to promote the adjustment of our industrial structure, for this will play a big role in creating the new relationship which I have just mentioned.

Industrial adjustment entails tremendous sacrifice. The pain it causes to regional economies, not to mention those in need of work, is truly incalculable. But we are determined to go ahead with courage and convictions, for we consider it our responsibility as an important member of the world economy.

Four Basic Directions

6 How, then, are Japan and the ASEAN states to cooperate in establishing a "creative relationship of industrial interdependence"? What kinds of policy are needed? Four points seem to need special emphasis, and I shall attempt to outline them here.

First and foremost, ASEAN nations need to foster export-oriented industries. Since 1980, with the fall in primary commodity prices that came with world economic stagnation, most developing countries have suffered enormous losses in their foreign exchange earnings, and, with them, soaring debts. ASEAN economies are no exception. They have been exerting major efforts in nurturing the kind of export-oriented industries that will bring in foreign exchange. This, I believe, is the most effective means of overcoming ASEAN's present economic difficulties and promoting stable, long-term development.

I would like to propose a plan which we think could be of great value in assisting ASEAN nations to develop export-oriented industries. We call this the "New AID Plan" (New Asian Industries Development Plan).

More comprehensive than other projects of its type, the "New AID Plan" would do more than offer the material assistance needed, for example, to build infrastructure for export-oriented industrial bases. It would also make available technical and financial assistance, and marketing assistance through JETRO to export-oriented industries. Thus it will mean an intensive and systematic input of the tools of economic cooperation needed for this objective. With cooperation from the private sector, this plan, once off the ground, could do a great deal to boost the exports of ASEAN member states.

In response to strong requests by ASEAN nations, the Japanese Government has decided to lower the interest rates on yen credits for our economic cooperation programs, including the New AID plan, notwithstanding the severe fiscal difficulties it faces.

We also decided to expand substantially the generalized system of preferences (GSP) for industrial products. This move, to take effect in April, will also help improve access to Japan's markets.

The second point I wish to touch upon is the importance of promoting direct foreign investment.

Direct investment helps expand production and employment in the host country without imposing any great financial burden on it. And, it can foster the growth of a horizontal division of labor.

development of an automatic translation system incorporating high technology. MITI would invest some six billion yen in the project over the six years starting in fiscal 1987.

Some may regard this investment as not particularly large. But I am confident that the program has much to offer. Not only will it serve to make Japan and its neighboring nations more capable of carrying out research and development in information technology and related fields, it will also enable the translation of large amounts of information—data on Japanese industry and technical literature, for example—into the language of the country concerned. A system like this promises to expand both the scope of technical transfer and its efficiency.

I hope these remarks have explained why I believe a “creative relationship of industrial interdependence” is necessary between the ASEAN nations and Japan, and what steps I think we should take to build one.

Conclusion

7 In the past week I have visited Australia, Indonesia, Malaysia, and now Thailand. One thing which has impressed me throughout this trip is the enormous vitality of the people in these countries in spite of their economic difficulties.

That the 21st century will be the “Asian Century” is now generally accepted. My current visit has left me with renewed conviction of this vision. Slowly but steadily, the focus of the world economy is shifting from the Atlantic to the Pacific.

As a Japanese, I can’t help feeling fortunate that my country is a member of the Asian-Pacific community. I’ve already noted that this region has the largest potential in the world. I am firmly convinced that this growth, when realized, will lead to the revitalization of the world economy.

In concluding my remarks, I should like to reiterate that with our intimate historical and cultural ties, the ASEAN states and Japan can join in establishing a “creative relationship of industrial interdependence” and opening up vast new possibilities for the 21st century. This is both our challenge and our responsibility.

Thank you.

SOURCE: Embassy of Japan, Singapore.