SPEECH BY PRIME MINISTER, MR LEE KUAN YEW

AT THE BANQUET GIVEN BY PRIME MINISTER OF

JAPAN, MR YASUHIRO NAKASONE, ON 15 OCT 86

My last official visit was seven years ago in 1979 when Japan was struggling to overcome the second oil shock.

Japan has gone on to greater economic success. But her success has created fresh problems. Japan's trade surpluses with the United States and the EC are aggravating protectionism.

In April this year, you declared both to your countrymen and to the international community that "the time has come for Japan to make a historical transformation in its traditional policies on economic management and the nation's lifestyle". You commissioned the Maekawa report. The report calls on the Japanese markets to foreign goods and to slow down exports. It also recommends slowing exports and increasing inputs from abroad. It says that without these changes, "there can be no further development for Japan".

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I admire your courage and determination to implement the main recommendations. The changes amount to an opening up of Japan as momentous as the Meiji Restoration. It requires bold leadership like that you have displayed to recognise that fundamental change for Japan is unavoidable because the international environment has irrevocably changed.

Japan's leaders know that the Japanese people must become more international and less insular. Otherwise there is a danger of serious malfunction and a breakdown in the international economic system that has served the free market economies of the world so well since the end of World War II. For the future, Japan must play a fuller role, not only as a beneficiary of the system, but also and more important as a contributor and a regulator of the system to help it to avoid a breakdown.

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Japan's growth has been export-led. The opening up of the Japanese market will be a boon to America and to the rest of the world. But economies from US, Europe and Japan agreed that opening up Japan's market alone will not solve the problem of large surplus. Japan has to have more domestic spending to generate her growth.

In other words the Japanese people have to learn to live at the standard of living and with the quality of life to which their wealth and status entitles them. When the Japanese upgrade their homes and their environment, they will boost economic progress in the rest of the world.

Japan has always paid special interest to its relations with ASEAN. Mr Prime Minister, you have personally demonstrated that interest by visiting the countries of ASEAN in 1983 soon after your visits to South Korea and the United States. Unfortunately, in the recent past, Japan's investments have been more in the US and Europe to escape protectionism. ASEAN's heads of governments are due to meet in Manila in December next year. Perhaps, the time is opportune for a fresh Japanese initiative which will strengthen economic relationships, especially by increasing investments in ASEAN.

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I have admired the will, subtlety, and skill of the Japanese in overcoming difficult problems through their system of "nemawasi" (consultation). The Japanese people and their leaders have met and resolved their economic problems in the past 40 years since World War II. I am confident that the Japanese will forge a national consensus on how to adjust to the new international situation and will meet the new responsibilities demanded by her economic achievements.

Mr Prime Minister, with the recent landslide victory of your party in the twin elections, you are in a strong position to commence the economic transformation of Japan and to harmonise her relations with the rest of the international community. I wish you luck and success in your endeavours.

Now, may I ask you to join me in a toast to the health of Prime Minister and Mrs Nakasone, and to the Japanese-Singapore friendship and cooperation.

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