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JAPAN'S KEY ROLE IN INDUSTRIALISATION OF EAST ASIA

East Asia GNP exceed NAFTA by 2010

If present trends continue, by the year 2,000 ASEAN and the NIEs, will have a GDP of $3.3 trillion, two-thirds of the US 1990 GDP or half of EC 1990 GDP. If we include Japan, East Asia's GDP will equal to the US GDP or four-fifths of EC GDP.

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2. Prime Minister Miyazawa, quoting the Finance Research Institute, said recently [Straits Times, 11 Jan 92, page 6] that ASEAN, the NIEs and Japan would have a total GNP exceeding that of the US, Canada and Mexico combined between the years 2010 and 2015.

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*East Asia: NIEs, ASEAN, China & Indo-China

	1990 GDP	Growth Rate p.a. to Year 2000	Year 2000 GDP
East Asia	US$ 1,153b	11%	US$ 3,275b
Japan	US$ 2,938b	7%	US$ 5,780b
East Asia (including Japan)	US$ 4,092b	8%	US$ 9,055b
US	US$ 5,432b	6%	US$ 9,712b
EC	US$ 6,016b	6.5%	US$ 11,292b

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What can impede or upset this trend ?

3. What can upset or obstruct this trend? In other words what can overturn the assumptions on which these forecasts are based. East Asia's rapid industrialisation depends on :

(i) the free trade system, ie no breakdown in the Uruguay Round of GATT so that East Asian countries can export especially to the US which has absorbed 20 to 30 per cent of the exports of each of them;

(ii) continuing security and stability in the Pacific which allows all governments to concentrate on economic development.

~~These assumptions can go wrong~~

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(i) The Uruguay Round can fail over EC agricultural subsidies and lead to a break-down of GATT. World trade will be set back. Two strong economic blocs the EC-12 and NAFTA with US, Canada and Mexico, will leave East Asia with little choice but to get into closer association to improve its prospects. Three major economic blocs will slow world

growth. Worse they will increase the likelihood of conflicts as rivalries grow over areas like oil countries of the Middle East.

(ii) Even if the Uruguay Round ends in a compromise settlement, it is likely that the US may not recover its competitiveness within the next ten years. Continuing budget deficits, more trade deficits, poor education and poor working attitudes mean poor growth and a diminishing US capacity to absorb imports. By the end of the decade, there will be cut-backs on US military presence in the Pacific, reducing US political influence.

(iii) As US struggles to regain its competitiveness, US-Japan economic relations will worsen. Frictions generated over economic issues may eventually spill over to political and security relations.

End of Cold War

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4. There has been basic change in US attitudes. Geopolitical considerations have totally changed with the end of the Cold War. Japan suffered US occupation at the end of World War II and faced a bleak future. Japan's fortune changed after 1949 when the Chinese Communist Party took over China. Then in June 1950, North Korea attacked South Korea. The US responded with force through the UN Security Council. To stop the expansion of an implacable

enemy, Soviet-led world communism, the US changed its policy and decided to let Japan re-industrialise. The US helped Japan by transferring technology, injecting capital and opening its markets.

5. The US also set out to help the developing countries on their side to demonstrate that countries which adopted the Western system of free enterprise, free trade and free elections were able to give their people a better life than the Soviet formula of central planning and control. However, after the collapse of its enemy, Americans see the next threat as primarily economic, coming first and foremost from Japan.

6. A US World & News Report [Dec 30, 1991, page 50] puts the US versus Japan contest in a positive light, as between US laissez faire, neo-classical precepts with almost total reliance on market mechanisms, liberalisation and deregulation vs Japan's government-guided industrial model, where the role of government is vital, where communitarian culture and values plus a disciplined bureaucracy enable long-term economic planning, and where teamwork among business, finance, government, and unions has produced formidable results.

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7. There is increasing unease amongst Americans and also Europeans that they cannot beat Japan's superior quality products. The more Japan succeeds technologically and economically, the more they resent it. The reasons are partly cultural, partly racial.

8. An example is a recent article, 15 Jan 92, in the IHT by Gregory Clark, an Australian professor at Japan's Sophia University. He argued that Japan's superior ethic, attention to quality, and the ease with which Japan acquires technology developed by others gives Japan an overwhelming advantage. He concluded that there should be a US-EC bloc which says no to any exports from Japan, leaving Japan with only the choice of building factories in the US and the EC. It is a measure of the depth of pessimism when blatant protectionism is presented in pseudo-academic language.

9. Increasingly, I sense the unspoken and inchoate fear of Americans and Europeans that Koreans, Taiwanese, Hong Kongers, Chinese and other Asians will become nearly as formidable as the Japanese as makers of superior products.

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10. To illustrate how vulnerable Americans feel, I refer to a nationwide sample study of 600 company personnel executives in nearly all US business sectors conducted by HR Strategies Incorporated, a Detroit firm [Straits Times, 19 Jan 92]. They found that nearly 70 per cent of US blue-collared workers lacked basic reading, writing and arithmetic skills, that half of all office and clerical workers lacked writing skills and that nearly one third of professional or managerial level employees lacked adequate writing skills.

Danger of US-Japan relations

spreading over into security

11. Americans are in a political malaise. Their academics and commentators know and publicly discuss their problems. But there is no political will in either the Republican or Democratic party to get American voters to face the facts of life, namely that they are living beyond their dreams and that to regain competitiveness, they must cut spending, especially on welfare, increase savings and investments, improve education, and improve work attitudes, before consumption can be allowed to go up again.

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12. But East Asia including Japan needs a United States that has a robust economy and is self confident. It was such an American after World War II that enabled East Asia to get where it now is. If after 10 years, the US has not recovered its economic health, defence spending will become a domestic political issue. US Congressmen will ask why they should vote funds to maintain the stability of the Western Pacific when benefits go not to America but to Japan, Korea, Taiwan, Hong Kong, China and Southeast Asia? If this happens, Japan will gradually be forced to carry more of its own defence which will eventually include the protection of sea lanes beyond 1,000 nautical miles.

13. In the next 10 years it is likely that the two Koreas will be reunited. Korea will interpret any Japanese defence build-up as re-militarisation. They will respond by building up their own defence. And China, still suspicious of Japanese militarism, will speed up its own military build up.

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14. The impact of such developments would be to divert the focus of the rest of East Asia from economic development towards defence. Growth will be sacrificed for security. Increased defence forces will lead to increased suspicions and tensions. The results will be bad for all.

What can Japan and East Asia do to

prevent or ward off these developments?

15. (i) Obviously we must work for a successful Uruguay Round. However, the key stumbling block is EC agricultural subsidies, which we cannot influence. But if there is a compromise, then Japanese and Koreans concessions on rice imports are unavoidable. In our own interests we have to open our markets so as not to give excuses to the US or EC for protectionism. Specifically, we must increase imports of goods and services from the US. Because Americans find their manufactured goods less competitive, they hope to concentrate on exports of their services, like banking, communications, and IPR (Intellectual Property Rights) like computer software, video and audio tapes, books and pharmaceuticals. East Asia should expand opportunities for these services in our markets.

In manufactured goods, Japanese should go out of their way to show Americans that there is a level playing field, and no hidden obstacles to trade. Knowledgeable Americans know that this will not make the US-Japan trade imbalance disappear. But it will remove the righteous indignation which Americans now work up against Japan.

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(ii) At the same time, it is a necessary insurance policy for Japan, Korea, China, and the countries of Southeast Asia to reach out to each other, to build up mutual understanding and to establish good faith in each other's future intentions.

Can there be a future need
for Japan to use force?

16. Rationally, it is unlikely that the geopolitical situation in the world will deteriorate to a point where as in the 1930s and 40s, Japan will consider military force as the solution for her problems. In the 1930s the world was divided into empires and spheres of influence. The Europeans restricted Japan's access to their empires. So long as the present system of GATT, IMF, WB prevails, even if the free trade system is not functioning at optimum levels, Japan will not find military aggression either necessary or profitable. So by all reason and logic, there should be no fear of a Japanese return to military aggression. Indeed aggression is not a viable option for any of the world's major powers. It is too destructive for all parties.

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17. Unlike in the 1930s, China has now an armed force with a nuclear capability. Korea is industrialised and can become nuclear, just as North Korea is threatening to do, and must be stopped. The aggression of the 1930s and 40s cannot be repeated without enormous losses. Even in the less well-armed countries of Southeast Asia, a Japanese attack as in 1941 cannot be successfully executed. With instant electronic media coverage, the speed of reaction of the world and of the United Nations Security Council to such an aggression will make it a disastrous venture.

18. Therefore fear of Japan's remilitarisation is more emotional than rational. But it is a reality that influences attitudes in many East Asian countries not only towards the remote eventuality of a Japanese invasion, but also towards the more likely possibility of Japan assuming a wider security role in the region. Unfortunately, there has been no open discussions amongst East Asians of their secret doubts, suspicions and fears. If there had been or even if open discussions on the past wrongs and future fears were to start now, the leaders of East Asia will gradually come to realise that the future must be, should be and will be different, a future where military force is not viable for settling economic problems. Unfortunately unlike the Germans, Japan has not been open and frank about the atrocities and horrors committed in World War II. By avoiding to talk about it, the victims suspect and fear that Japan does not think these acts were

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wrong, and that there is no genuine Japanese change of heart. How much better the Germans have made it for themselves by disclosing and publishing all past secrets and educating their young on the horrors of their Nazi past. 20 January 1992 was the 50th anniversary of the conference of Nazi leaders which planned and decided on the final Jewish solution. The Germans were able to announce on that day that the idyllic villa overlooking a lake at Wannsee will be a permanent memorial to remind Germans of this hideous crime.

19. I believe Japan has much to gain in the long run if she is also frank and open over what has happened in the past, like the Korean girls who were conscripted forcibly for the Japanese army. I knew of the comfort houses in wartime Singapore. I saw long queues of Japanese soldiers lining up for their turn at Cairnhill Road, an upper middle class district, within four weeks of the capture of Singapore in February 1942. I thought then that this saved the chastity of many Singaporean girls. I did not know that they were not voluntary prostitutes but Korean school girls and young women abducted and conscripted into this service. For Japan to deny for so many years that it was organised by the army was a mistake. Open discussions will lead to a catharsis, a purification or purgation of the emotions of the victims leaving the atmosphere cleaner for the future.

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20. As long as Japan has not established an open relationship of confidence, Japan will need a US presence to give others a sense of security, which is necessary for economic cooperation. In the long term, Japan will see that it is better to reach an understanding with its neighbours, so that there will be trust in each other's intentions for the future. To be dependent on an American presence for an assurance that the US will not allow it to happen again is not a long term solution. We may not be able to solve this problem in 10 years. But it will be a great pity if it still troubles East Asia in 20 years' time.

21. Hence former Prime Minister Kaifu's expression of contrition in May 1991 in Singapore was a historic opening. And Prime Minister Miyazawa in January 1992 in the Japanese Diet carried this process further when he emphasised "the need to have a good grasp of Japan's own history if it was to play an active political and economic role in this region." A few days earlier in Seoul he said it was "essential that Japan taught history correctly, nurture a sense of admonition to never repeat these misdeeds." It is neither compensation for the victims nor humiliation of the Japanese, that is the objective, but the assurance that there is a realisation and acceptance by a younger generation of Japanese that what was done was wrong. This will increase the chances of it not happening again. That will be good for the whole of East Asia, including Japan.

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Conclusion - Recap

22. Therefore, Japan and the countries of East Asia should use the next decade to strengthen not only our economic but also our political, cultural and personal relations. To get East Asia to stay on course for rapid growth, Japan and all in East Asia have to accommodate the sometimes importunate demands of the US. It was right that Prime Minister Miyazawa went out of his way to meet the requests of President Bush in January, when he was accompanied by the three US automotive CEOs. But, on the other hand, it was not helpful to make negative statements about the quality of American workers if you are as prominent a figure, as the Speaker of the Japanese House of Representatives. The fact that what the speaker said was not too different from the findings of the Detroit survey did not make it more acceptable. Japan and the rest of East Asia have to be patient, forbearing and helpful in order to keep the US engaged both in the economic and the security fields. Then East Asia is more likely to get to the year 2010 with a combined GNP greater than that of the US, Canada and Mexico. Japan is a crucial player in this transformation. But remember, so is the US. East Asia needs both Japan and the US for us to create this belt of growth and prosperity where there will be less tensions and less conflicts.

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