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# Leadership and Strategic Vision in East Asia

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My speech will be more historical and philosophical than factual. I would like to talk about the general framework in which we have to act. Also, I would like to say a few words on what Japan is up to. I do it to provoke a discussion on Japan's role in development of Cambodia.

Today, we live in a world after the end of the Cold War and Plaza Agreement in 1985. The end of the cold war brought about great political change. The Plaza agreement brought about fundamental economic change not only in Japan but in entire Asia. Because of the depreciation of the dollar, because of the Plaza Agreement we had to move our production to China and ASEAN countries, and also Taiwan began to invest a lot in China. Thus, we nowadays witness a great surge of China and ASEAN economies. And this means the real end of the colonialist era since 1400s. It took 600 years until the colonialist era ended.

But still we have to work with the West very closely. We have no reason to be too self-confident about our own capabilities, because the West still matters in:

- civic values
- military power
- finance
- technology
- information

Japan has been trying to catch up with Europe and the United States, so as to not be colonized by ourselves. Today Japan has become far more serious about Asia. In order to survive, we have to get back to Asia with far more attention.

How does the East Asia look like today. What are the salient features in the East Asia today? Firstly, we notice that there is no absolute power or predominant power in the East Asia. Perhaps we can talk about the United States, Japan, or China. But as you can understand, none of them possesses an absolute power in the region.

And we witness greater and large propensity for the “status quo.” It is true that many people tend to say that the reunification of the Korean peninsula is impending, or that the annexation of

Taiwan can happen at any moment. But such views may be superficial. All interested parties of the Korean and Taiwan issues are interested in maintaining the status quo, and this sentiment is shared by Japan and the United States, too.

When we talk about East Asia we cannot help but notice a very important aspect. That is the “economic symbiosis” between Japan, ASEAN, China and the USA. Today there are many automobile factories in Thailand. They produce automobile parts and then export them to the factories in Guang Zhou, China. The Chinese assemble the parts and export automobiles abroad. Such kind of horizontal trade generates far more added value and is very beneficial for all ASEAN countries, including Cambodia.

The three points above indicate a need for “consensus-building.” As no one can dictate in the East Asia, we need consensus-building. In this context, a forum such as this one is very important.

But at the same time populist governments hamper formulation of consensus. Radical nationalism and economic parochialism are the causes.

The next topic is “What Japan is up to”. What Japan has been doing in the East Asia? First of all we have to recall World War II in which we inflicted enormous damage and suffering to the Asian countries. Because of this Japan has been reticent and modest in implementing our Asian policy. A good incarnation of this is the “Fukuda Doctrine” which was announced in 1977. The Fukuda Doctrine in substance says that Japan:

- will not seek military supremacy
- attach importance to mutual trust
- help ASEAN to consolidate
- facilitate friendship between ASEAN and Indochina

In implementing this policy we by large resorted to two means: direct investment and official development aid (ODA). Japan’s direct investment to Southeast Asian countries is big with the total amount of approximately \$120 billion dollars. Official development aid is no less important. It is true that after the economic depression Japan had to substantially reduce the size of ODA, yet we still allocate to Southeast Asian countries about \$1 billion to \$1.5 billion annually. To Cambodia the accumulated amount of our aid is \$1.1 billion. According to the research by Japan Economic Research Center, Japan’s direct investment and ODA have pushed up the economy of ASEAN by 0.6% in 2004, whereas the American assistance and direct investment in this region pushed up ASEAN's aggregate GDP by 1%. Japan stands here as the second most important partner.

Japanese ODA has been contributing in the dramatic improvement of economic and social

infrastructures in the East Asia. Ports, telephone lines, railways, power station, steel mills and etc. And this has facilitated a dynamic inflow of foreign direct investment. Japanese companies have built a large number of factories in ASEAN countries, gradually forming a “horizontal trade” between Japan, ASEAN, China and the USA.

The above-mentioned horizontal trade would be a very important key for the further economic development of Cambodia, because she is located in an ideal geographical position: just between Thailand and Vietnam and not far from China.

That is all for the economy. Japan can sometimes be a viable political power. A good example is Cambodia. Japan is the country that established diplomatic relations with North Vietnam in 1973, even partly against the will of the American government at that time. I still remember King Sihanouk made a transit in Tokyo en route from Beijing to New York in 1979. I followed my boss to meet King Sihanouk. After that we played a very active role in stabilization of Cambodia. In tandem with Mr. Akashi, Special Representative of the UN Secretary General, the Japanese government made every effort to bring the first general election to a success. Japan is a benevolent political force.

Coming back to the economic aspect I have to say some words about the economic and financial crisis in Asia in 1997. I recall that the Japanese government pledged 30 billion dollars for financial rescue of Asian countries. Although this scheme was not much utilized by Asian countries because of the too strict conditions, we have been generating and promoting ideas for a better financial market in Asia:

1. currency swapping agreement
2. issuance of long-term bonds in local currencies- (Let us recall that the lack of long-term credit market in Asia was the main reason for the financial crisis in 1997).

What should we do further in the East Asia? First of all we have to build the East Asian Community gradually, but with strenuous efforts. Japan is seriously interested in building the East Asian Community. At the same time Japan will maintain the alliance with the US, the mainstay of security of Japan and stability in Asia. The Japan-US alliance has a character as a common asset for the Asian Pacific area.

Up to now, the East Asia Community is considered to be a body which mostly addresses economic issues. But in the future, we may establish yet another forum like CSCE in Europe which confirmed the status quo in Europe and established confidence-building measures. In such a multilateral mechanism no one country can be predominant and stability will be ensured by “check and balance”.

When we talk about Asia and the capacity about Asian cooperation we should not be too

arrogant about our power. No “Asian parochialism” please. We still lack in several important ingredients. First of all we have to set a moral standard on the question “For what do we develop?”

The authoritarian governments in Asia tend to promote an idea that we work for the state, for the government. But I think we improve our standard of life for the benefit of ourselves, for the welfare and happiness of each individual. We need to involve the USA and the EU, because they have a better experience in finding a balance between individual freedom and public duty.

The official development aid and foreign direct investment have their own problems in Asia, too. I would like to draw your attention to the following points:

1. Balance between generosity and discipline. From time to time donors are asked by recipients to be more generous and give out assistance without cumbersome conditions. But the donors have to pay attention to the accountability, because they are using people's taxes for ODA. Private companies can not be so generous, either, because they are not operating for philanthropy. Their profit-seeking activity stimulate the economy and enhance people's life: that is the principle of foreign direct investment. In Cambodia some may expect that the Japanese government assert pressure on Japanese companies so that they come to Cambodia to invest. We can talk to them, but we cannot force them. Private companies are not subjugated to the government. They would not move without a prospect of making profit. Otherwise, they will get reprimanded by share-holders. So, Cambodia should further improve infrastructures until foreign companies come in competition to invest here.

2. Talking about the donor countries, I notice that we have a growing bureaucracy in ODA. Sometimes it takes years before we reach an agreement or decision on one or other ODA project. We have to rationalize the growing bureaucracy on our part. The cost of economic assistance is rising. Sometimes more than 50% of ODA are spent for personnel expenses of the donor countries.

In closing, let me compare Cambodia with the ex-socialist countries like Russia or Uzbekistan. Working in Russia or Uzbekistan, I sometimes became desperate about the prospect of reforms in these countries. They have a mixture of authoritarianism, corruption, large presence of state enterprises which are hard to reform, and a lack of property rights. These elements create a stalemate for further reform.

But in Cambodia, I realize that she is in a better position than the ex-socialist countries. Cambodia is not plagued by such negative traits as authoritarianism, rigidly planned economy and large presence of state enterprises. I feel optimistic about future of Cambodia.

**(This is the text of a speech delivered by Amb. KAWATO Akio, Member and Senior**

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