

**THE “SYMPOSIUM TOWARDS THE FUTURE OF ASEAN – JAPAN SUMMIT”
ORGANISED BY MINISTRY OF FOREIGN AFFAIRS JAPAN, FUKUOKA
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Firstly, I would like to thank the Japanese Ministry of Foreign Affairs, Fukuoka Prefecture, Mainichi Newspapers and RKB Broadcasting for this invitation to speak at "The Symposium Towards the Future of ASEAN – Japan Summit".

2. The future belongs to the young. For them to know how to manage the future they must be fully conversant with the past, they must know from where they come. And they must also look at the present. Otherwise they may not know their position in space and time. They may think they are going forward when in fact they are going backwards, back to their past, back to where they came from, probably committing the same mistakes that their predecessors did. Or they may be static, not moving from where they are now.

3. For the Japanese and the Southeast Asians this exercise in looking back at the past and knowing the present is absolutely essential for their future.

4. The relation between Japan and the Southeast Asian countries in the post Pacific War years has been unique. For various reasons Japan had difficulty in its relations with its near neighbours in the Northeast of Asia. But although the experience of the Southeast Asian countries during the Pacific War was not something that they like to recall, still they have always been more ready to forget and even to forgive, and to develop new relationship with Japan based on the present. Japan for its part apparently feels more comfortable with the peoples of Southeast Asia than with others.

5. When Japan in the early post-war years was changing its business philosophy from that of being a producer of cheap low quality goods to one of producing high quality but still relatively cheap goods the Southeast Asian markets proved useful for testing out the acceptability of Japanese products. The world was then not yet ready to accept Japanese products as comparable with ethnic European products.

6. Another Japanese strategy which was tested and proven successful in Southeast Asia was that market share is strategically more important than profit margins. The Europeans believe in high profit margins. What they produced are essentially designed for their own consumption. Since their purchasing power is high they can afford to buy high-priced goods. The poor countries can buy their products if they can afford them. If they cannot it does not matter because they have already made a good return in their own countries. Naturally the world market share of European and American products is small and would remain small. No efforts were made to study the special needs of poor countries and to accommodate them.

7. Left to the Europeans the poorer peoples of Asia and Africa would not be able to enjoy many of the modern necessities such as home appliances, pick-up trucks and cars. Their standards of living would therefore remain much lower than the standard of living of the Europeans.

8. But the Japanese low-cost quality products were priced lower through, among other things, lower profit margins. They became affordable especially in Southeast Asia. Accordingly the standard of living improved as people in developing countries became able to buy those electrical appliances and motor vehicles which the people in the rich countries enjoy.

9. With the preference shown for Japanese goods in Southeast Asia as against European products, the Japanese became more confident to market their products in other places in the world including the domestic markets of the ethnic European countries themselves. The worldwide bias against Japanese products rapidly disappeared. The trade between the European countries and Japan grew rapidly and showed continuous balances in favour of Japan.

10. To reduce this Japanese surplus and regain their market share, pressure was applied to revalue the Japanese Yen. The Plaza Accord pushed up the Yen so that Japanese goods doubled in price in the developing countries. Incidentally this also meant the Yen debts of Southeast Asian countries doubled in terms of their own currencies.

11. Japan was forced to look for other means to keep production costs low and prices competitive. Japanese industries began to invest in Southeast Asian countries. Japanese investments could have gone to other developing countries. But these countries were not ready with the investment laws and incentives, and the necessary infrastructure to enable factories to be set up to produce quality Japanese products. Southeast Asian countries were ready. The result is what amounted to a rapid industrialisation of a number of Southeast Asian countries. Very soon the Southeast Asian countries became significant exporters of high quality manufactured goods. Southeast Asia's trade with the rest of the world grew by leaps and bounds. Malaysia for example which used to export only rubber and tin to the developed countries, now export sophisticated products to over 200 countries in the world.

12. To the surprise of the world and the Japanese themselves Southeast Asian workers acquired skills very quickly and their products were and still are of world standards.

13. Japanese investment also stimulated investments from the ethnic European countries anxious to lower their costs and to achieve competitiveness in the market. Accordingly the Southeast Asian countries and their people grew richer and created demands for better infrastructure. Roads, ports, airports, electricity and water supply had to be provided and investments in these infrastructures were made possible by Japanese soft loans and aid. This directly and indirectly resulted in higher incomes and standards of living.

14. The benefits of Japanese investments and loans do not accrue only to the Southeast Asian countries. Japan and other developed countries gain considerably as the markets of Southeast Asia became richer. Most of the manufactured goods purchased by Southeast Asians are produced by Japanese manufacturers either in Japan or in the Southeast Asian countries themselves. It is typically a win-win situation.

15. In many ways Japan has been a model and an inspiration for the Southeast Asian nations. This is particularly so for Malaysia. In the early 80s Malaysia adopted the Look East Policy, principally to look at Japan.

16. Malaysia and I am quite sure many of the Southeast Asian countries were very impressed at how Japan recovered so quickly from the devastations of the Pacific War to become an economic powerhouse. There must be some things that the Japanese were doing which were worthy of emulating by countries wishing to develop.

17. We in Malaysia believe that it is the Japanese work ethics and the close collaboration between the Government and the private sector, the much criticised Japan Incorporated concept which contributed to the Japanese economic miracle. There are of course the Japanese corporate structure and management practices which enabled Japanese corporations to recover and grow so quickly and successfully. Malaysia was anxious to learn about these and to adopt them where possible.

18. We noted that the Japanese of the immediate post-war years were very patriotic and worked very hard to help the country to recover. They learnt the value of quality and the importance of caring for their employees literally from the cradle to the grave. Despite having trade unions and organised labour, strikes were uncommon. When they did strike, they made sure to avoid damage to the company as much as possible.

19. This was the time when the European industries were being crippled by their own workers. Work-to-rule, flying pickets and wildcat strikes were common. Demands for pay increases, less work and better working conditions were being made regardless of the cost and consequent loss of the competitiveness of their products.

20. Malaysian workers and their unions were inclined to follow European practices and tried to push up wages through industrial action. But the Malaysian Government's promotion of Japanese work ethics and the actual exposure of Malaysian workers to work in Japanese factories in Japan appeared to have influenced the thinking of union leaders and workers alike. At the same time employers were urged by the Government to adopt a more understanding attitude towards their workers, their demands and grouses. The Government took a lead by having more frequent meetings with the workers and their leaders and acceding to their demands where possible.

21. After studying the Japanese Incorporated concept the Malaysian Government concluded that it was a desirable thing. Close contact between Government officials and the private sector can result in corruption but not much more than when there is no open contact. But the benefits of close collaboration between the Government and the private sector outweighs the risk and loss due to corruption.

22. The Government noted that much of its revenue comes from the private sector through corporate and individual taxes. Obviously if the Government helps the private sector to become successful, a definite proportion of the profit would go to the Government. The more successful the businesses, the more taxes the Government would collect. So why shouldn't the Government work closely with the private sector. Detractors would call this cronyism but the detractors themselves are quick to help their cronies when the need arises. And theirs are real cronies. Whereas under the Government private sector incorporated concept, all in the private sector would be helped by the Government all the time.

23. Dialogues with the private sector are held frequently and the feedbacks enable the Government to formulate laws and policies and to improve Government services so as

to facilitate doing business. The resultant success of the businesses contribute towards economic growth and increases in Government revenues, which in turn helps improve pay schemes for Government servants, social services for the people and improvements in infrastructure for the general public. It would seem that everyone gains from what came to be known as the Malaysia Incorporated concept adopted by the Government of Malaysia.

24. Looking at Japan has paid off handsomely for Malaysia. I am quite sure that other countries in Southeast Asia have looked at Japan and copied it in one way or another even though they have not officially adopted a Look East Policy.

25. One of the greatest disappointments with Japan among Southeast Asians is its reluctance to enter into a cooperation arrangement through the East Asia Economic Group. It is difficult to understand why there was this reservation when regional groupings were being formed all over the world. Europe had been consolidating the European economic cooperation ever since the end of the war. It was on the verge of forming the European Union when the EAEG was proposed.

26. The United States, Canada and Mexico had just formed the North American Free Trade Agreement (NAFTA) and were already talking about an enterprise of the Americas to include practically all the countries of North America and South America.

27. Clearly the European Union and NAFTA were intended to enhance their economic clout through their close economic cooperation.

28. The Association of Southeast Asian Countries is weak and needed the clout of the Northeast Asian countries, in particular Japan. It is not the intention to become an economic bloc. The EAEG would simply be a forum for discussion of common problems and exploring ways of overcoming them together. The General Agreement on Tariffs and Trade meetings (the GATT Rounds) were getting nowhere at that time and the World Trade Organisation (WTO) had not been formed yet. A strong East Asian Group would be able to influence the talks and steer them in the right direction, or at least in a direction that will not be harmful to the economies of East Asian countries.

29. There was no talk of a common market or anything very formal and binding that may result in economic confrontation against Europe or America. But Japan refused to hold talks on the formation of the EAEG.

30. The Americans made it clear that they were against the EAEG. It is known that James Baker actively influenced South Korea and Japan against joining the EAEG. Why East Asian countries cannot get together the way the Europeans in Europe and the North Americans can is a mystery. James Baker might be able to explain this sometime. Hopefully it is not pure racism.

31. However, things have changed slightly now. ASEAN + 3 with exactly the same countries as members as the proposed EAEG is now a part of the cooperative effort of the countries of East Asia. We have gone so far as to have swap arrangements and now the Asian bond market. There is even talk of a monetary union. Perhaps one day there will be the EAEG.

32. There is much that the East Asian countries working together can do for the region and the world. We have world class enterprises which can contribute much to the prosperity of each other and the world. We do not seem to have the kind of greedy speculators who can destroy the economies of countries in the name of free trade. I believe that East Asian countries working closely together can provide a counterweight to the less attractive tendencies of the ethnic Europeans.

33. Politically Japan does not see eye to eye with many Southeast Asian countries. It aligns itself closely with the United States. But this political differences have seldom got in the way of good relations between Japan and Southeast Asia. We are all pragmatic. Japan has shown no desire to be a deputy sheriff.

34. But ASEAN is not a political grouping and we are used to differences in our political perceptions and our policies. We do however try to achieve common fundamentals. For example we would like all the countries of Southeast Asia to open up for trade and investments and become democratic. But we are not going to break off relations and apply sanctions because some may not be able to do so. We believe in persuasion, in constructive engagement. We hope that Japan appreciates our belief in the democratic freedom to decide, each on its own. We hope that Japan would not apply political or economic pressures simply because we don't measure up to your standards and perceptions.

35. Although I am no longer the Prime Minister of Malaysia, and will not be participating any more in summits, but I believe much can be done through summit meetings. I notice that meetings of the heads of Government particularly at retreats when officials are not present are less prone to polemics and ideological stands. Heads of Government want to achieve certain objectives and usually they try hard and think more about the group than purely national interests. Their officials who are absent at retreats, would not be able to influence the decision making as much as they would like to. Of course leaders may agree when they shouldn't do so in the opinion of the officials. But in many instances group interests yield greater benefit than purely national interests. If every country is concerned only with national interests, then a grouping, whether regional or otherwise, would certainly fail. A grouping must involve some willingness to concede on the part of each member for the greater good of the whole. If this is not accepted then the group should not be formed at all.

36. ASEAN has developed very unique approaches to the organisation of Summits. Apart from the purely ASEAN Summit, we have ASEAN plus three and ASEAN plus one meetings. Japan participates in the ASEAN plus three, i.e. ASEAN plus Japan, China and South Korea, which effectively is the East Asian Summit. But Japan's special interest in Southeast Asia is dealt with in the ASEAN plus Japan Summit meeting. On the sideline the different countries of East Asia make use of the summit for one on one meetings.

37. Altogether the ASEAN – Japan summit have been very fruitful. They have helped foster close relations between Southeast Asia and Japan through discussions, negotiations and feedback. The Summit has a great future for bringing about peace, stability and economic development in the region. I hope that it will continue and move on towards the day when East Asia becomes a coherent group playing its role for the betterment of East Asia and the world.