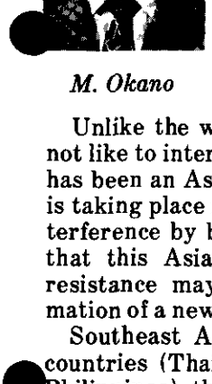
Japan and Southeast Asia

Policy of 'noninterference' no longer adequate; Japanese markets must open to developing nations

BY MITSUYA OKANO*

Southeast Asia has many problems. It is so diversified culturally and has lacked unity as a community. Yet it has the possibility of infinite harmony. People are tolerant and accommodating but they also have the greatest potential to deny and resist external pressure, as exemplified by Vietnam War. Southeast Asia is a gigantic paradox of tolerance and resistance.



M. Okano

Bamboo diplomacy, meaning to yield and bow to the strong wind but never break has been the traditional attitude of Southeast Asians. But as a region, they have lacked unity, a common recognition of crisis and a regional perspective for peace and well-being.

Unlike the western countries, Southeast Asians do not like to interfere in the politics of other countries. It has been an Asiatic tradition to be indifferent to what is taking place in the outside world. But the "age of interference by big powers" is over. It may be possible that this Asiatic diversity, tolerance and spirit of resistance may present a new horizon for the formation of a new world order.

Southeast Asia, usually includes the five ASEAN countries (Thailand, Malaysia, Singapore, Indonesia, Philippines), the three countries in Indochina and perhaps Taiwan and Hong Kong, but the Peoples Republic of China, Korea and Japan are generally categorized as Northeast Asia.

Ambivalence

Is Japan a part of Asia? Japan is in a dilemma of ambivalence coming from its Asiatic ideals and ethnic affinity, the strong western influence, and its outstanding economic power. I will not delve deeply into this question, but it does influence the topic before us.

One of the basic questions for Japan today is whether Japan should be involved in the affairs of Southeast Asia or whether she should sit isolated and pursue the ideal of peaceful coexistence. Noninterference is an established doctrine in diplomacy but it does not solve Japan's problem. "Noninterference" is nothing but the attitude of indifference to the status of her neighbors. It is nothing but avoiding responsibility as a member of the region in the solution of problems which may be needed to maintain lasting peace in the area.

On the other hand, however, too positive participation in the politics of Asia may bring severe criticism not only from other Asian countries but also from the majority of Japanese. In the eyes of Asians it may appear as the resurgence of the political expansionism which Japan once frantically pursued.

Manager, Foreign Department, Sumitomo Chemical Co., Ltd., Osaka, Japan; president, LES International.

From LES U.K. International Meeting

While Japan has been hesitating psychologically in terms of the political area, she has already become deeply involved in the affairs of Southeast Asia. Intentionally or unintentionally, she has already selected the path of "strong economic power" in Southeast Asia and consequently she is no longer allowed to stick to the position of political isolationism. Japan can no longer further promote her economic involvement in the region without paying attention to its political and social impact. To be an egoistic powerful nation will bring criticism from Asian friends as serious as being an expansionist.

New Responsibility

Someone called Japan a "one-eyed giant," giant who has only one eye looking at her own economic benefit and has no other eyes see her political and social responsibility. Economy is after all inseparable from political and social involvement in today's world.

Whether Japan likes it or not, the United States and other western nations are attempting to gradually decrease their presence in Asia. They are asking Japan to take over a part of their responsibility not militarily but economically and politically. Japan cannot remain in the shadow of the U.S. and devote herself to the selfish pursuit of her own economic welfare.

On the other hand, however, Japan's economic presence in some Southeast Asian countries is already too large, as shown by the students' riots against Japanese economic activity in Thailand, Singapore and Indonesia.

Japan is faced with a dilemma.

Japan buys 25.8% of the total exports of the five ASEAN countries compared with 19.9% to the U.S.A., 13.2% to the EEC and 16.7% to ASEAN countries. For example 87% of the copper produced in the Philippines is exported to Japan as is 66% of the lumber produced in Indonesia and Malaysia. Likewise 85% of Indonesia's crude oil is exported to Japan.

In the other direction, 24.2% of all imports of the five ASEAN countries come from Japan, 15% from the

U.S.A., 15.3% from the EEC and 12.3% from other ASEAN countries.

As is evident from the above figures, Japan is definitely the most important trade partner. It is the largest market in Asia, trade with Japan is twice as large as trade with the ASEAN countries. Changes in the trade can have considerable impact. Due to the economic recession, Japanese imports of copper from the Philippines decreased in the past few years and as a result a few copper mines had to stop operation. The decrease of Japan's imports of Indonesian lumber increased unemployment in Indonesia.

Investments

Japanese investment in the Southeast Asian countries increased sharply in recent years. At the end of 1975, total outstanding Japanese private investment in the five ASEAN countries amounted to U.S. $2,902 million.

For example, 38.5% of the total capital inflow into Thailand came from Japan, versus 13.9% from the U.S.A., the second largest investor. In Indonesia, 40.5% of foreign investment came from Japan against 20.1% from the U.S.A. Even in the Philippines, where traditionally the U.S. influence is overwhelming, Japan invested 24.4% of foreign capital, versus 30.2% from U.S.A. In Korea, as much as 66.5% of foreign capital is from Japan.

In spite of such a large Japanese involvement in the Southeast Asian economy, the attitude of Japan toward the political and social problems in this area has been cool and timid. Japanese investment was purely economic but perhaps it was too purely economic to be really valuable for regional economic and social development. It will be necessary to re-evaluate such economic cooperation from the view point of its real impact on the socioeconomic development of the host countries. For example, in the past, aid money has been used mostly for the promotion of industrialization. But this resulted in such problems in the host country as the widening of the income gap between social classes and an imbalance of job opportunities in various sectors. In Korea, rapid industrial development caused stagnation in agricultural production, expansion of the income gap between the urban population and agrarian population, decrease in the rate of self-sufficiency of food supply, etc.

In Indonesia, the rate of industrial growth from 1969 to 1973 was 11.9%. However, due to insufficient infrastructure, heavy reliance on imported industrial raw materials and low productivity, the unit cost for production of industrial goods is extremely high. Industrial growth did not alleviate the unemployment situation as expected, since the new industries absorbed 16% of the labor force, but the increase in available labor during the same period was 26%. Due to the lack of correlation between the modern industrial sector and traditional medium and small industries, the Indonesian economy was stratified into two tiers.

Economic planners in these countries are reconsidering the advisability of too rapid industrialization. It may be necessary to give priority to the problems of supplying food and jobs to the rapidly expanding population, to improve the income distribution pattern and to increase effective demand for agricultural and industrial products, thus promoting a more balanced economic growth.

Japanese economic cooperation should be more carefully scrutinized in the future in order to ensure that it will assist the host governments in attaining their socioeconomic goals.

Perhaps one of the most important fields of cooperation is technology transfer, not only technology in the industrial sector but also in the fields of agriculture and forestry, where Japan is most experienced and advanced. Japan has an enormous accumulation of technology, experience and systems know-how in such fields as rice cultivation, fishery and forestation.

Industrial technology is also important. Japan can offer many facilities for the training and education of engineers and scientists.

Transfer of industrial technology to Southeast Asia is increasing rapidly. It is the primary factor boosting the economies of Southeast Asian countries.

There are some controversial arguments about the desirability of technology transfer, both on the part of developing countries and the advanced countries. But a discussion of such arguments shall be made on some other occasion.

In spite of increasing cooperation such as technology transfer, private investment, public aid, etc., there still remains an inherent problem for the countries of Southeast Asia. That is the limited size of domestic market.

National markets are much smaller than western countries partly because of smaller populations and partly because of much lower per captia income. Therefore, in such industries as steel, petrochemical, automobiles, etc. even the smallest economically-efficient plant will have to export a considerable part of its output to other countries. Such exports will only be possible if other countries, especially Japan and the western industrialized nations, keep their doors wide open to the products of the developing countries. At the GATT conferences, the industrialized countries often reveal their strong dissatisfaction with developing countries' exports of products made by cheap labor. They even try to discriminate against products made by cheap labor to protect their own domestic industries. But what product of developing countries is *not* produced by cheap labor? It is a common sense that labor costs in developing countries is lower, much lower than Japan or other industrialized countries. If we don't give them the market to sell their products, there will be no chance for them to catch up with the industrialized countries. We must note a sober fact that even with all the economic aid, private investment, credit, technology transfer, etc., the per-capita income gap between developing countries and industrialized countries is not narrowing, but widening. Even with preferential duties favoring developing countries, the economic growth of developing countries was slower than that of industrialized economies, at least until the oil crisis.

We must open the Japanese market to products from the developing countries. So should the western

(Please turn to Page 239)

Winds of Change Are Blowing

(Continued from Page 170)

realities.

Behind the diplomatic front is the other front, that of the real world where technology is actually transferred and not just talked about. And on that front you people are in the firing line. I suspect that more good can be done by fair play on the spot, i.e. licensing for local manufacture where at all feasible and otherwise supply at most favorable prices, than by any amount of tinkering with the Paris Convention or the UNCTAD code of conduct.

I seem to have spent most of my time talking about patents. As we all know technology transfer commonly involves licensing of both patent and trademark rights and I am constantly being told that a good trademark is commonly worth much more than a good patent. Perhaps, therefore, before I end I should say just a few words about the community trademark. There is, I sometimes feel, a tendency in this part of the world to think that all that matters about this is that we should get the CTM Office in London. Well, I certainly hope we shall do so, and I believe that the government will continue to press for that but it needs to be recognized that in some years' time we are likely to see a situation in which the basic trademark law will be the same in all EEC countries; in which it is still possible to get one-country protection; but in which the scales are weighted in favor of a community trademark in a single ownership throughout the EEC for all interstate trade in the EEC. We got down to it seriously in Brussels last week but it is early yet to predict the time scale. The European patent has taken some eight years to come to pass; we may profit from experience to get a shorter schedule for the community trademark, but the legal problems are more troublesome for the trademark than for the patent. So what should we say, five years?

Japan and Southeast Asia

(Continued from Page 174)

economies, in order to narrow this income gap and make this world a peaceful and harmonious family of nations. If such an open-door policy and preferential treatment for developing countries is not possible from the advanced industrialized countries, the only alternative may be to form a common market of ASEAN countries and set up a high duty barrier against products of non-regional origin. This would however diminish world trade to a great extent and impede the free trade system of the world.

Gentlemen, Southeast Asia is a diverse and complex paradox. It is impossible to describe it completely in a short presentation.

Sometimes, the heart of Asia is beyond the logical comprehension of western people. I would like to conclude my remarks with an episode which occured in Manila, Philippines, when I was invited as a lecturer at a UNIDO meeting.

We had been discussing various restrictions imposed by developing nations on technology transfer from industrialized countries. A delegate from an industrialized country commented: "You are free to set up many difficult rules on the transfer of technology but if it is too difficult it may be detrimental to your own economy. It is just like playing tennis. You are on the other side of the net and we are playing this side. But tennis can be played only when we play it according to fair rules. If you arbitrarily change the rules to your own liking, nobody will play tennis with you. Then you will be able to draw no benefit."

There was a slight lull after this persuasive argument. But after awhile an official of the Philippine government stood up and said, "I understand your point. It is a fair and persuasive statement. But what Asia really needs is not that you play tennis on the other side of the net but you come to our side and play with us. This is the sentiment of Asia."

Changing Environment in Canada

(Continued from Page 181)

biggest changes occurring in Canada. You are probably all aware that Canada is revising its patent laws for the first time in decades. The task is proving difficult, and is taking much longer than was at first expected. As a result, the revisions may not be passed by Parliament within the next two or three years, but nevertheless, a consensus is beginning to form. Perhaps some of you have heard of the somewhat radical proposals originally put forward for discussion. You will be relieved to know that few of these will be adopted. In fact, the resulting patent law will follow very closely those in the European Common Market and will be within the terms of the European Patent Treaty. For example, patents will be issued on a first-to-file rather than the first-to-invent basis now used in Canada. The terms of patents on products or processes worked in Canada will probably be about the same as in other countries, namely about 20 years, although somewhat shorter on patents not worked in Canada. As at present, compulsory licenses will be available on all food and drug products. One of the most important provisions from your point of view as licensing executives is the requirement that all licenses would have to be registered with the Patent Office to be valid in Canada. In addition, certain periodic reports together with periodic maintenance fees would have to be made by patentees. I need not warn you, of course, that you should check these predictions against the final law when it is passed.

Winds of Change Are Blowing

(Continued from Page 170)

realities.

Behind the diplomatic front is the other front, that of the real world where technology is actually transferred and not just talked about. And on that front you people are in the firing line. I suspect that more good can be done by fair play on the spot, i.e. licensing for local manufacture where at all feasible and otherwise supply at most favorable prices, than by any amount of tinkering with the Paris Convention or the UNCTAD code of conduct.

I seem to have spent most of my time talking about patents. As we all know technology transfer commonly involves licensing of both patent and trademark rights and I am constantly being told that a good trademark is commonly worth much more than a good patent. Perhaps, therefore, before I end I should say just a few words about the community trademark. There is, I sometimes feel, a tendency in this part of the world to think that all that matters about this is that we should get the CTM Office in London. Well, I certainly hope we shall do so, and I believe that the government will continue to press for that but it needs to be recognized that in some years' time we are likely to see a situation in which the basic trademark law will be the same in all EEC countries; in which it is still possible to get one-country protection; but in which the scales are weighted in favor of a community trademark in a single ownership throughout the EEC for all interstate trade in the EEC. We got down to it seriously in Brussels last week but it is early yet to predict the time scale. The European patent has taken some eight years to come to pass; we may profit from experience to get a shorter schedule for the community trademark, but the legal problems are more troublesome for the trademark than for the patent. So what should we say, five years?

Japan and Southeast Asia

(Continued from Page 174)

economies, in order to narrow this income gap and make this world a peaceful and harmonious family of nations. If such an open-door policy and preferential treatment for developing countries is not possible from the advanced industrialized countries, the only alternative may be to form a common market of ASEAN countries and set up a high duty barrier against products of non-regional origin. This would however diminish world trade to a great extent and impede the free trade system of the world.

Gentlemen, Southeast Asia is a diverse and complex paradox. It is impossible to describe it completely in a short presentation.

Sometimes, the heart of Asia is beyond the logical comprehension of western people. I would like to conclude my remarks with an episode which occured in Manila, Philippines, when I was invited as a lecturer at a UNIDO meeting.

We had been discussing various restrictions imposed by developing nations on technology transfer from industrialized countries. A delegate from an industrialized country commented: "You are free to set up many difficult rules on the transfer of technology but if it is too difficult it may be detrimental to your own economy. It is just like playing tennis. You are on the other side of the net and we are playing this side. But tennis can be played only when we play it according to fair rules. If you arbitrarily change the rules to your own liking, nobody will play tennis with you. Then you will be able to draw no benefit."

There was a slight lull after this persuasive argument. But after awhile an official of the Philippine government stood up and said, "I understand your point. It is a fair and persuasive statement. But what Asia really needs is not that you play tennis on the other side of the net but you come to our side and play with us. This is the sentiment of Asia."

Changing Environment in Canada

(Continued from Page 181)

biggest changes occurring in Canada. You are probably all aware that Canada is revising its patent laws for the first time in decades. The task is proving difficult, and is taking much longer than was at first expected. As a result, the revisions may not be passed by Parliament within the next two or three years, but nevertheless, a consensus is beginning to form. Perhaps some of you have heard of the somewhat radical proposals originally put forward for discussion. You will be relieved to know that few of these will be adopted. In fact, the resulting patent law will follow very closely those in the European Common Market and will be within the terms of the European Patent Treaty. For example, patents will be issued on a first-to-file rather than the first-to-invent basis now used in Canada. The terms of patents on products or processes worked in Canada will probably be about the same as in other countries, namely about 20 years, although somewhat shorter on patents not worked in Canada. As at present, compulsory licenses will be available on all food and drug products. One of the most important provisions from your point of view as licensing executives is the requirement that all licenses would have to be registered with the Patent Office to be valid in Canada. In addition, certain periodic reports together with periodic maintenance fees would have to be made by patentees. I need not warn you, of course, that you should check these predictions against the final law when it is passed.