

PROPOSALS OF THE ASEAN-KANSAI FORUM

Kansai Keizai Doyukai
(Kansai Association of Corporate Executives)

May 1994

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Bangkok



Kuala Lumpur



Jakarta

December 21, 1993

Kansai Keizai Doyukai
(Kansai Association of Corporate Executives)
ASEAN-Kansai Forum Mission

Proposals of the ASEAN-Kansai Forum

The world has changed, Asia has changed, and now Japan is moving towards change. For world stability and development, a new order to replace the old world order and new rules are needed. Moreover, new conditions must be set so that the economies of the Asia-Pacific region may continue developing and thereby become a promotive force of world economic development. From this perspective, the Kansai Keizai Doyukai (Kansai Association of Corporate Executives) held the ASEAN-Kansai Forum in 3 cities of ASEAN nations to exchange views with opinion leaders from ASEAN over the themes of *Development of ASEAN Nations and Economic Cooperation*, the *Concept of Regional Economic Zones and the Free Trade System*, and a *Security Regime in the Asia-Pacific Region*. Based on forum talks, the Kansai Keizai Doyukai would like to propose the following.

1. Constructive Cooperation in Promoting Supporting Industries

1) Japanese Corporate Investment and Foreign Capital Deregulation

Though the economies of ASEAN have till now developed favorably, it remains indispensable to develop supporting industries in each nation in order to ensure steady development in the future. During the yen's appreciation following the Plaza Accord of 1985, Japanese corporations invested heavily in ASEAN, particularly for assembly line production. These nations are eagerly awaiting yet a second wave of heavy corporate investment from Japan, to be directed at developing supporting industries. Hopes are for technology transfer to include Japanese systems for production, quality control and sales management.

The most effective approach to technology transfer would be for small and medium-sized firms forming Japan's supporting industries to lay inroads into ASEAN. In promoting this, the recipient nation will have to deregulate foreign capital and provide systems that enable Japanese corporations to finance more than half the capital share in joint ventures.

2) Human Resources Development is the Basis for Developing Supporting Industries.

Developing human resources is the basis for developing supporting industries. As ASEAN member nations expand the scale of their economies, the lack of mid-level managers and

engineers has surfaced as a serious problem. Cooperation is required in human resource development programs such as Japanese corporations accepting trainees from ASEAN member nations for on-the-job-training (OJT).

To this end, Japan needs to rethink distribution of her ODA, now the largest in the world, and decisively shift importance to human resource development aid. It is additionally important that human resource training systems from the private sector be put to use in developing countries. Presently there is no system for effectively using ODA to assist the private sector in raising skills of persons from developing countries through OJT programs. Just such a system is necessary to promote this.

2. Establishment of an Economic System Desirable for the Asia-Pacific Region

The Japanese Government should formulate their own vision of an economic system favorable for the Asia-Pacific region and show leadership in its realization.

Regional economic zones are forming around the world like the EC, NAFTA and AFTA. Moreover, the search continues for ways to create a new economic system in the Asia-Pacific region, as seen by American President Clinton's proposal of an Asia-Pacific Community and the subsequent 1993 APEC summit informally held in Seattle.

Malaysian Premier Mahatir has proposed an East Asian Economic Caucus (EAEC) to rival the EC and NAFTA. Though the idea initially stirs fears of protectionism by excluding America and Australia from this caucus, Malaysia envisions the EAEC as an internal consulting organization of APEC and emphasizes that it is free and open. Malaysia hopes that Japan will show greater understanding of this, and play a positive role in bridging the EAEC with the NAFTA and APEC as a leader of East Asia.

To date, Japan has remained passive on the EAEC issue, without clearly defining her position. She should instead clarify her position and advocacy, and take on a constructive role in bridging the EAEC with America and the EC, so that the EAEC can contribute to regional development as an open organization supplementing APEC. This kind of action would utilize the concept of these regional economic zones for strengthening a free trade system.

Member nations of ASEAN moreover remain strongly cautious of the idea of an Asia-Pacific economic zone being led by major industrialized nations like America and Japan. From this viewpoint, APEC is best kept as a consultative organization for the time being.

3. Cooperation in China's Shift to Market Economies and Formation of a Free Economic Zone in the Asia-Pacific Region

For stability in the Asia-Pacific region, it is important that China succeed in making the shift to a market economy and achieve stable and favorable development. It is as well important to establish cooperative relations in the Asia-Pacific region including China so

that China's development may contribute to developing the whole area. Development of China offers a new investment opportunity for ASEAN member nations and other nations of Asia, while at the same time, it signals the emergence of a formidable competitor. Nations of ASEAN view the Chinese economy diversely. Thailand and Malaysia are strengthening cooperative relations with China because they view China as an attractive new investment and export market. Indonesia feels her textile industry threatened by this new competitor, but recognizes the need to build cooperative relations with China in the long run.

Japan and the other Asian nations should cooperate, so that China successfully introduces market principles, which is the key to economic development in China. Japan, with her economic advancement, particularly should show leadership, based on mid- and long-term outlooks, in establishing cooperative relations which ensure mutual economic development of Asia-Pacific nations and China.

4. Building a Common System to Enable Development of ASEAN

To mutually develop both Japan and ASEAN, it is important to coordinate economic and management systems. This process promotes technology transfer of both material and non-material elements.

On the ASEAN side, voices have spoken of the difficulty of introducing Japan's management system, though valuable, because of the differences in culture and values. Yet, neglecting efforts to promote mutual understanding and simply dealing with the issue as a "difference in culture", makes it impossible to form any sort of system common to all parties. Thanks to Japanese corporations forming joint ventures with local businesses in ASEAN, a common system between Japan and ASEAN is in the making. As a starter, greater mutual understanding between Japan and ASEAN is needed to establish an economic and management system welcoming to both parties. In the long run, concerned nations should aim at building a new system common to all which, worthy of the name (the) "APEC Culture", could circulate throughout the world.

To these ends, a vision of desirable economic and management systems needs to be drawn up, discussed and put into practice based on the recognition that "there is no definable boundary to supreme management".

5. Promotion of Multinational Talks on Assuring Security in Asia

Now that the cold war is over, it is difficult to say that the concept for assuring security in the Asia-Pacific region has been clarified. For durable economic development in this region, it is indispensable to secure political stability in each nation and peace throughout the entire region.

Today, with the end of the Cambodian conflict and the return of peace and order, as well

as efforts being made by Vietnam and Myanmar to restructure their economies on market principles, what is of concern in regional security is the nuclear arms issue in North Korea and political and economic turmoil in Russia. In addition, growing ethnic awareness throughout the world could possibly cause unforeseen regional conflicts. Though no clear prediction can be made, there definitely exist sources of uncertainty which threaten regional security.

To assure security in the Asia-Pacific region, it is important to build confidence through multilateral dialogue among "sources of uncertainty", as Dr. Hadi Soesastro (Executive Director, Centre for Strategic and International Studies) puts it, including not only America, Japan, China and Russia, but also member nations of ASEAN and nations of Indochina. American President Clinton proposed that APEC go beyond economic cooperation to become an organization for discussing security in the Asia-Pacific region. ASEAN, however, is strongly cautious of being led by major nations. ASEAN naturally recognizes the indispensability of American participation in assuring regional security, but is also wary of becoming embedded in APEC structures should the organization ever go beyond economic issues to cover security talks as well.

It is desirable, for the moment, to make APEC a loose organization for building a free economic system in the Asia-Pacific region, linking economic zones around the region, such as NAFTA, AFTA and the EAEC, rather than an official place for discussing security. Japan should constructively promote security talks amongst concerned nations of the Asia-Pacific region, based firmly upon her position outlined by the U.S.-Japan Security Treaty.

PARTICIPANTS LIST OF ASEAN-KANSAI FORUM

(Titles as of 1993)

THAILAND

H. E. Bhichai Rattakul
Former Deputy Prime Minister

H. E. Bhichit Rattakul
Former Deputy Minister of Science
Technology and Environment,
Director
Anti Air Pollution & Environmental
Protection Foundation

Dr. Chokchai Aksaranan
Senior Vice President
Charoen Pokphand Group Co., Ltd.

Dr. Olarn Chaipravat
President and Chief Executive Officer
The Siam Commercial Bank, Limited

Mr. Pramon Sutivong
Senior Vice President
The Siam Cement Co., Ltd.

Dr. Chakchai Panichapat
Deputy Secretary-General
Board of Investment

Mrs. Tipa Nakornsri
Financial Executives
Bangkok Cable

Mr. Athikom Tongnumtogo
General Manager
Bangkok Cable

Mr. Xanxai Visitkul
Chairman and President
Skyline Shipping Services Group

Mr. Chalermkiat Ratanaritnont
Personnel & General Affairs Manager
Kulthorn Kirby Co., Ltd.

Mr. Saengchai Ekpatanaparnich
General Manager
Thapharuk Transformer Co., Ltd.

Prof. Dr. Praipol Koomsup
Professor Doctor
Faculty of Economics
Thammasat University

Dr. Sutin Leepiyachart
Chief of Industrial Policy Section
NESDB

Mr. Kamchai Laismit
Lecturer
Faculty of Economics
Chulalongkorn University

Mr. Wai Chamornmarn
Assistant Professor
Faculty of Commerce & Accountancy
Thammasat University

* Dr. Supachai Panitchpakdi
Deputy Prime Minister

* Mr. Porntep Techapaibul
Deputy Minister
Ministry of Industry

* Reception guest

MALAYSIA

Tan Sri Dato' Azman Hashim
Chairman
Arab-Malaysian Merchant Bank Bhd.

Mohd. Said
Telekom Malaysia Bhd.

Dato' Dr. Mokhzani Abdul Rahim
Executive Chairman
Powertek Sdn. Bhd.

Encik Annuar Senawi
Executive Chairman
Malaysia National Insurance Sdn Bhd.

YM Tunku Tan Sri Dato' Seri Ahmad
Yahaya
Deputy Chairman/Group Chief Executive
Sime Darby Bhd.

Gen (R) Tan Sri Dato' Zain Hashim
Chairman
Perwira Habib Bank Berhad

Encik Ariffin Alias
Managing Director
Malaysian International Shipping
Corporation Berhad

Tan Sri Zakaria bin Haji Mohd Ali
Chairman
UMW Holdings Berhad

Dr. Stephen Leong
Director
Centre for Japan Studies
ISIS Malaysia

Dr. Tan Siew Hoey
Bureau of National Economic Policy
Studies
ISIS Malaysia

Tan Sri Datuk Amar Ling Beng Siew
Chairman
Hock Hua Bank Berhad

Mr. Wan Salleh Mohamed
Executive Director
Perwira Habib Bank Berhad

Tan Sri Shamsuddin Abdul Kadir
Executive Chairman
Sapura Holdings Sdn. Bhd.

Tuan Haji Wan Yusoff Wan Ismail
Executive Director
National Chamber of Commerce &
Industry, Malaysia

D. K. Dutt
Executive Secretary
Malaysia-Japan Economic
Association

INDONESIA

Ir. Iman Taufik
Vice President
Indonesian Chamber of Commerce &
Industry,
President
PT. Guna Nusa Fabricators

Dr. Sukamdani S. Gitosardjono
Chairman
Sahid Group

Mr. Nawawi M. Sc
Vice President
Indonesian Chamber of Commerce &
Industry

Mr. Sofjan Wanandi
Chairman & Chief Executive Officer
Gemala Group

Ir. Fadel Muhammad
President
PT. Bukaka Teknik Utama

Drs. Faisal Abda' oe
President
PERTAMINA (State Oil Company)

Mr. M. A. Rais
Head of Environmental Development and
Government & Public Relations
Division
PERTAMINA (State Oil Company)

Mr. Rachmat Gobel
President
PT. National Panasonic Gobel

Mr. Warner Katili
President
PT. Potalipu Dinamika

Mr. Oki Wijaya
AJBM Participant
Director
Galva Group

Mr. Tanri Abeng MBA
Chairman
Bakrie Group

Mr. Roy Etirtadji
Managing Director
Lippo Group

Mr. Robby Djohan
President
Bank Niaga

Prof. Dr. Mohammad Sadli
Chairman
Institute for Economic
Studies,
Research & Development
Indonesian Chamber of
Commerce & Industry

Mr. Kusnaeni
Executive Secretary
Indonesia-Japan Entrepreneurs
Association

Mr. M. Abdillah
Director
East Jakarta Industrial Park

Mr. Leo Mulyadi
PT. Bimantara Citra

Drs. I. G. N. Santawirya
Director for External Relations
Indonesian Chamber of Commerce &
Industry

Dr. Hadi Soesastro
Executive Director
Centre for Strategic and International
Studies

Mr. Palgunadi T. Setyawan
Senior Vice President
PT. Astra International

Mr. AH Mambu

JAPAN (Kansai Keizai Doyukai)

LEADER:

Mr. Yoshikuni Inoue
Co-chairman,
Kansai Keizai Doyukai
Executive Vice President,
Daikin Industries, Ltd.

Mr. Senri Hagio
Managing Director,
Secretary General,
Kansai Keizai Doyukai

ACTING LEADER:

Mr. Osamu Inoue
Co-chairman,
Kansai Keizai Doyukai
Executive Vice President,
Nippon Life Insurance Company

Mr. Osamu Matsui
President,
Matsui Manufacturing Co., Ltd.

Mr. Yasuo Takabatake
Senior Managing Director,
Konoike Transportation Co., Ltd.

ADVISERS:

Prof. Shinichi Ichimura
Vice Chancellor,
Osaka International University

Prof. Takeshi Yoshimi
Professor,
Kobe-Gakuin University

Mr. Isao Sato
President,
Showa Marutsutsu Co., Ltd.

Mr. Akihiko Ito
President,
Daikei Data Processing Co., Ltd.

MEMBERS:

Ms. Chiyono Terada
Managing Director,
Kansai Keizai Doyukai
President,
Art Corporation

Mr. Hisaharu Hara
Managing Director,
Kansai Keizai Doyukai
Executive Vice President,
Sumitomo Metal Industries, Ltd.

Mr. Koichi Kimura
Chairman,
Committee on Asia-Pacific Countries
Kansai Keizai Doyukai
Executive Vice President,
Sumitomo Corporation

Mr. Taizo Kotani
President,
Inter Group Corp.

Mr. Yasushi Matsushita
Associate Director,
Resident Representative Osaka District,
Osaka Gas Co., Ltd.

Mr. Kiyoshi Ogura
Managing Director,
Inoue Reinetsu Co., Ltd.

Mr. Koichi Morioka
Deputy General Manager,
Farm & Industrial Machinery International
Operations Headquarters,
Kubota Corporation

Mr. Yutaka Takahashi
General Manager,
Osaka Planning & Business Development
Department,
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Mr. Michio Shaura
Senior Division Officer,
Overseas Administration & Development
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Itochu Corporation

Mr. Susumu Yamamoto
General Manager,
Office of the President,
Daikin Industries, Ltd.

Mr. Minoru Kurume
Office of the President,
Daikin Industries, Ltd.

Ms. Utako Endo
Office of the President,
Daikin Industries, Ltd.

Mr. Tetsuya Miyagawa
Manager,
Public Affairs Department,
Nippon Life Insurance Company

Mr. Michiharu Sakakibara
Executive Assistant,
Sumitomo Metal Industries, Ltd.

Mr. Hideo Nishibayashi
Business Headquarters,
Showa Marutsutsu Co., Ltd.

Mr. Shuichi Kaneko
Planning & Research Section,
Kansai Keizai Doyukai

INTERPRETER:

Ms. Yumiko Saito
Inter Group Corp.

CONFERENCE PROGRAM OF ASEAN-KANSAI FORUM IN THAILAND

July 12 (Monday), 1993

Hilton International Bangkok

14:30	Opening Mr. Senri Hagio Managing Director, Secretary General of Kansai Keizai Doyukai
14:35 ~ 14:45	Opening Address H. E. Bhichai Rattakul (Thailand) Former Deputy Prime Minister
14:45 ~ 14:50	Nomination of Chairman Chairman: Mr. Yoshikuni Inoue (Japan) Co-chairman of Kansai Keizai Doyukai Executive Vice President of Daikin Industries, Ltd.
14:50 ~ 15:50	Keynote Speeches Speakers: Mr. Hisaharu Hara (Japan) Managing Director of Kansai Keizai Doyukai Executive Vice President of Sumitomo Metal Industries, Ltd. Dr. Chokchai Aksaranan (Thailand) Senior Vice President of Charoen Pokphand Group Co., Ltd.
15:50 ~ 16:00	Coffee Break
16:00 ~ 17:25	Session 1 "Development of Asia and Economic Cooperation among Asian Countries and Japan"
17:25 ~ 18:35	Session 2 "Trends in forming Regional Economic Zones and Maintenance of Free Trade System" and "Establishment of Security Regime in Asia-Pacific Region"
18:35 ~ 18:45	Closing Address Mr. Yoshikuni Inoue (Japan)
18:45 ~ 20:30	Cocktail Party

CONFERENCE PROGRAM OF ASEAN-KANSAI FORUM IN MALAYSIA

July 14 (Wednesday), 1993

Shangri-la Hotel Kuala Lumpur

13:30	Opening Mr. Senri Hagio Managing Director, Secretary General of Kansai Keizai Doyukai
13:35 ~ 13:55	Opening Address Mr. Yoshikuni Inoue (Japan) Co-chairman of Kansai Keizai Doyukai Executive Vice President of Daikin Industries, Ltd. Tan Sri Dato' Azman Hashim (Malaysia) Chairman of Arab-Malaysian Merchant Bank Bhd.
13:55 ~ 14:00	Nomination of Chairman Chairman: Mr. Yoshikuni Inoue (Japan)
14:00 ~ 15:20	Keynote Speeches Speakers: Mr. Osamu Inoue (Japan) Co-chairman of Kansai Keizai Doyukai Executive Vice President of Nippon Life Insurance Company Dr. Stephen Leong (Malaysia) Director of Centre for Japan Studies ISIS Malaysia
15:20 ~ 15:30	Coffee Break
15:30 ~ 17:10	Session 1 "Development of Asia and Economic Cooperation among Asian Countries and Japan"
17:10 ~ 18:20	Session 2 "Trends in forming Regional Economic Zones and Maintenance of Free Trade System" and "Establishment of Security Regime in Asia- Pacific Region"
18:20 ~ 18:30	Closing Address Tan Sri Dato' Azman Hashim (Malaysia) Mr. Yoshikuni Inoue (Japan)
18:30 ~ 19:45	Cocktail Party

CONFERENCE PROGRAM OF ASEAN-KANSAI FORUM IN INDONESIA

July 16 (Friday), 1993

Jakarta Hilton Convention Centre

13:00	Opening Mr. Senri Hagio Managing Director, Secretary General of Kansai Keizai Doyukai
13:05 ~ 13:25	Opening Address Mr. Yoshikuni Inoue (Japan) Co-chairman of Kansai Keizai Doyukai Executive Vice President of Daikin Industries, Ltd. Ir. Iman Taufik (Indonesia) Vice President of Indonesian Chamber of Commerce & Industry President of PT. Guna Nusa Fabricators
13:25 ~ 13:30	Nomination of Chairman Chairman: Mr. Yoshikuni Inoue (Japan)
13:30 ~ 14:30	Keynote Speeches Speakers: Mr. Koichi Kimura (Japan) Chairman of Committee on Asia-Pacific Countries, Kansai Keizai Doyukai Executive Vice President of Sumitomo Corporation Ir. Iman Taufik (Indonesia)
14:30 ~ 14:50	Coffee Break
14:50 ~ 16:40	Session 1 "Development of Asia and Economic Cooperation among Asian Countries and Japan"
16:40 ~ 17:50	Session 2 "Trends in forming Regional Economic Zones and Maintenance of Free Trade System" and "Establishment of Security Regime in Asia-Pacific Region"
17:50 ~ 18:00	Closing Address Prof. Dr. Mohammad Sadli (Indonesia) Chairman of Institute for Economic Studies, Research & Development, Indonesian Chamber of Commerce & Industry Mr. Osamu Inoue (Japan) Co-chairman of Kansai Keizai Doyukai Executive Vice President of Nippon Life Insurance Company
18:00 ~ 19:30	Cocktail Party

Prospectus of ASEAN-Kansai Forum

Objective

In recent years, the economies of nations in the Asian region have been growing at a remarkable pace, greatly advancing world economic development. To ensure the continued economic development of the Asian region in the future, however, it is necessary to establish a new economic order in this region. Following the example of China, Vietnam and other socialist states in Asia are now trying to introduce market principles into their economies. This trend has given rise to such problems as the establishment of a new economic system for the sound development of the region, and the introduction of a new form of economic cooperation between Asian countries. Given the prospect of frequent regional conflicts, the region must also resolve such problems as the definition of roles to be played by Asian countries in the maintenance of world peace and, in particular, the design of a system for ensuring security in the Asia-Pacific region.

In its policy statement for this year, Kansai Keizai Doyukai (Kansai Association of Corporate Executives) set forth two major study subjects: the formation of a new economic mechanism for ensuring stability and development of the world, and the role of Japan in ensuring stability and development of the Asia-Pacific region. Kansai Keizai Doyukai is actively conducting studies of these subjects, and, based on the results of these studies, plans to make proposals to various segments of Japanese society, with the aim of having the study results reflected in political, administrative and economic policy.

To this end, Kansai Keizai Doyukai plans to send a mission to three major ASEAN nations. The members of the mission hope to discuss a wide range of topics with opinion leaders in these nations, and thus promote mutual understanding between those nations and Japan.

Major topics which the mission would like to discuss are as follows:

1) Economic Development and Cooperation in the Asian Region

- ① How should human resources and supporting industries be developed, to ensure the durable development of the Asian region?
- ② What are the features of the Japanese economic and managerial systems, which nations in the Asian region can assimilate and utilize?
- ③ How should assistance be rendered to China, Vietnam and other socialist states, which are trying to introduce market mechanisms into their economies?
- ④ What influence will the development of the Chinese economy exert on Asian economies in the future?

2) Concept of Regional Economic Zones, and the Free Trade System

- ① What tasks should be fulfilled, and what policies implemented, to develop AFTA, NAFTA, EAEC and other regional economic zones presently being conceived, not as protectionist blocs, but as free and open ones?
- ② How should APEC be related with the concept of regional economic zones?

3) Security Regime in the Asia-Pacific Region

- ① What kind of regime should be established to ensure security in the Asia-Pacific region?
- ② What roles should nations in the region play in this regime?

PROPOSALS OF THE ASEAN-KANSAI FORUM

May 1994

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