

Japanese Economic Cooperation with Indochinese Countries

Chairperson: Tsutomu Murano (IDE)

Reporter: Tetsusaburo Kimura (Asia University)

Commentator: Toshihiko Kinoshita (Director, Funding and Accounting Dept., The Export-Import Bank of Japan)

Summary of the Report

With the conclusion of the Cambodian struggle, a new path has wide opened for the three Indochinese countries to reconstruct their economies with the help of Western assistance. Traditionally, the Indochinese countries heavily depended on the assistance from the Soviet Union and other Eastern European nations. Except for Vietnam, which has yet to normalize its relations with the U.S., the Japanese ODA will play, for the time being, a major role in the reconstruction of Cambodia and Laos.

The Japanese ODA is based on two principles, that is “humanitarian considerations” and “recognition of interdependence.”

If we consider from the second principle of “recognition of interdependence,” the future participation by the three Indochinese countries in the economic dynamism that now prevails in the Asian-Pacific region will favorably affect not only the interests of Japan but also those of the international community as a whole. In addition, the Japanese still have mixed feelings toward the Asian nations because they once invaded and sent troops into Asia. Despite those mixed feelings,

however, the Japanese assistance to the three Indochinese countries have so far been extremely small, compared with that to other Asian nations.

For this reason, I think that the Japanese assistance to Indochina should be much increased in the future.

Needless to say, Japan cannot grant assistance to every request made every country in the world. Moreover, the decision to extend assistance should be preceded by the national consensus. In addition, the Japanese ODA has established a system in which the same sum of assistance will be extended every year once the decision to assist is made over one particular recipient country. Therefore, it may be difficult to make some changes in the system.

Therefore, it is necessary for the Indochinese countries themselves to do some preparation work that would provide themselves with adequate justifications to prove their capabilities for receiving Japanese aid. These justifications will be provided if Vietnam improves its efficiency in using aid or promotes self-help efforts.

I would like to make some points or proposals here to be considered in extending aid to the Indochinese countries. The first proposal is to mobilize the Indochinese people educated overseas as refugees and let them return home to cooperate with their expertise in the reconstruction of their home economy. They are not required to change their acquired nationality and the expenses will be all covered by Japan. The assistance will thus become more efficient since there is no barrier in languages or customs.

Secondly, a comprehensive investigation should be conducted before an development plan is drafted over the three Indochinese countries or over the Mekong Valley. Since such an survey should be conducted with environmental and anthropological perspectives and with consideration to resources, the Japanese ODA will be able to organize an international study team to implement it.

Thirdly, would it not be possible to call for the participation of neighboring China and Thailand in an effort to remove mines in Cambodia? The expenses will again be covered by Japan.

In addition, with regards to the Cambodian reconstruction, it is truly necessary, as pointed out in the fourth report, to establish a strong footing new government. The reporter assumes that almost \$200 million will be needed to maintain a new government. Japan should make enthusiastic contributions not only to support a prospective government but also to build basic infrastructure which is now desperately needed.

Lastly, with regards to Vietnam, the priority should be placed on an early lifting of economic embargo. If the Western nations including Japan should start large-scale economic activities before the removal of the embargo, the principle of equal economic opportunity will be severely damaged. The U.S. has a tremendous opportunity to contribute in the field of oil development, airplane sales, etc. We expect that the U.S.-Vietnam relations would be normalized as early as possible.

Summary of Comment

Mr. Kinoshita commented on the report in the following way.

Ever since the signing of the Cambodian Peace Accord, the stage has been set which will enable the three Indochinese countries to concentrate on their own economic reconstruction. This means, on the other hand, that the barriers have been removed, that used to prevent Japan from improving its relations with these three countries. The improved relations will eventually lead to Japanese assistance extending to Indochina.

The present agenda is what steps to be taken. Since the situations vary in those three countries, different approaches should be taken for different countries if Japan tries to make an adequate response.

For the past 20 years, Cambodia has been the battlefield for a proxy war fought between big powers and the war caused a socio-economic destruction nobody has ever imagined. Nobody will disagree, therefore, with the remarks in the report that Japan should give assistance to Cambodian reconstruction from a humanistic point of view. We hear that the Japanese Government is now planning to hold an international conference for aid-giving nations over the reconstruction of Cambodia. If the conference is convened, it will be the first step to resume Cambodian assistance by the international community.

Japan has continued to freeze its assistance to Vietnam since 1979, but during those years limited form of cooperation has been extended in the form of medical care, disaster relief measures and cultural-academic aid. However, in order for Japan to resume a full-fledged financial assistance to Vietnam, Japan has yet to clear the barrier of the U.S. Vietnam policy. The U.S. policy toward Vietnam may change any minute, but Japan cannot ignore it now.

Another problem is how to cope with the remaining debt by Vietnam. Generally speaking, a decision to extend a new assistance to a country with accumulated foreign debt left still unpaid, preconditions an agreement by all members of Paris Club, the creditors' meeting. Whether such an agreement can be reached or not depends solely on the U.S. policy. As the reporter indicated, it is not adequate for Japan to take a decisive move before the U.S. The Japanese dilemma is how to respond in the present circumstances.

What I would like to ask the reporter is in how long a timespan he puts his perspective. Another question is what kind of policy he urges the Vietnamese government to take in the future.

In Laos an hydraulic power industry built by Japanese assistance is now under operation, and a part of the generated power is being exported to Thailand. This is a desirable type of economic assistance both from the viewpoint of foreign exchange earning and from that of regional cooperation. If we think of the expected shortage in assistance fund in the future, we have to encourage direct private in-

vestment, especially that in export industries, in our assistance to the Indochinese countries. In the case of Laos, a sparsely populated inland nation with so many restrictions on investment, the reinvestment by the Japanese companies in Thailand may pose a plausible answer.

Lastly, as the reporter indicated, Indochina is still suffering the aftereffects of war such as the mines still buried underground or the remaining influence of defoliation chemicals. As a member of an international community, we should make our utmost effort to minimize those aftereffects of the war.

Summary of Discussions

In response to the report suggesting some specific proposals on the Japanese aid policies, Mr. Pike asked questions about the details of the Japanese Cambodian assistance plan, the specific figures of assistance fund and how it is going to be used. Mr. Kimura answered in the following way, referring also to the points indicated by Mr. Kinoshita.

The policy of the Japanese Government is to express its willingness to make some form of international contribution. All the Government has done so far is to express its own wish to hold in Japan an international conference on Cambodian economic reconstruction, but it has not yet decided how much fund it should prepare, or where to set aid priority, nor what role Japan should play. Mr. Kinoshita asked in how long a timespan Japan is considering aid. This question is similar to the point Mr. Pike suggested and should be considered with the question of when to resume aid. A year or so from now will be a crucial time in deciding the details of aid and its specific directions.

Next Mr. Oanh spoke. Would it not be possible for Japan to take a more positive stance to each of the three Indochinese countries respectively in different stages of development? He says he clearly understands the Japanese position that it has to respect the U.S. intentions. He says he would like to know more about the Japanese posture toward the Indochinese assistance. Mr. Kimura answered in the following manner.

Mr. Kimura says that all he can give is his private opinion. In the case of Vietnam, it is possible for Japan to extend ODA which would help introduce private capital. The assistance to Cambodia will be the one with large grant element. With regards to Laos, I have a slightly different opinion from that of the commentator and think that a system of cooperation between public and private sectors should be established rather than just inviting private capital.

There are two reasons why Japan did not resume its assistance to Vietnam before the U.S. One is because the Cambodian problem did exist still unsolved, posing a major stumbling block for the resumption of aid. The other is because Indochina is a monumental area for Japan-US relations, where fair cooperation and fair competition should be observed among other things between the two coun-

tries. However in the recent process under which the Cambodian problem has been solved and the Sino-Vietnam relations are heading toward normalization, the barriers which once prevented Japan have one by one removed. But as Mr. Kinoshita pointed out, it will be some time before the specific procedures are taken.