

# A sian Integration: An Economic Alliance

## A Plus-Sum Game

By Aftab SETH

### Asian History

Asia has been the crucible of civilization over the last four millennia. Asia has been the birthplace of all the major religions of the world: Hinduism, Buddhism, Confucianism, Islam, Christianity, Shintoism and many others.

Asia has also been in the forefront of innovation in terms of technologies for many centuries: paper, gunpowder and so much else from China, and the finest textiles from India. It is well known that India supplied almost 30% of world demand for cotton textiles before the decline of industry in India in the 19th century.

There was in fact a degree of integration between Asian countries, both in philosophical and intellectual exchanges and in technology transfers. The existence of 'sarasa' (calico) or 'shibori' (tie-dye) textiles, and the Sanjusangendo temple in Kyoto with its 1,000 Indian gods are living examples of this process of integration.

Angus Maddison of Groningen University in Holland has done a seminal study on economic development, in which he has shown that until the advent of European colonialism, China and India together accounted for more than half of the world's GDP. Therefore what one is witnessing today is not so much the 'rise' of India and China, but rather a 'resurgence' of these countries. This increase in prosperity is seen also in Southeast Asia and indeed in West Asia where rising oil wealth has created large numbers of well-to-do individuals with affluent lifestyles. Asia is therefore in the midst of an awakening, a renaissance, if you wish, which affects the people of these countries and indeed other countries who are bound together in a globalized world.

At this point of time the METI study on an "Asian Economic and Environmental Community" (AEEC) and its research on the proposed Comprehensive Economic Partnership in East Asia (CEPEA) seeking expansion and deepening of business networks in the region are most relevant and timely. In commenting on these studies it is worth remembering that the Shinto/Hindu/Buddhist tradition enjoined upon man the necessity of living in harmony with nature, rather than merely trying to conquer nature with a view to exploiting it.

Mahatma Gandhi always said that the mother earth had more than enough to supply man's needs but not man's greed. The traditional Indian lifestyle encompassed such principles. Indeed the great urban planning of the Indus Valley cities of Mohenjodaro and Harappa with their emphasis on water supply and drainage is a marvel of ingenuity.

Similarly Edo (today's Tokyo) in the Tokugawa *shogunate* period displayed many aspects of the Japanese genius in matters concerning conservation and sustainable lifestyles. The recycling of human waste products for the use of rural communities made Edo one of

the cleanest cities of its time, even as it was the biggest urban center in the world.

### Postwar Japan

Japan, in its pursuit of modernization after the Meiji Restoration of 1868, neglected its Shinto/Buddhist heritage. This resulted in the terrible smog, which this author witnessed in the early 1970s when many people chose to wear masks. It also led to pollution of water and the Minamata disease scandal that resulted from mercury-poisoning of water.

The oil "shokku" of 1973 and 1979 persuaded Japan to change and to boast in the process one of the cleanest environments in the world. The legendary energy-saving measures employed resulted in Japan having an energy efficiency rate that is eight times that of China and, to an extent, of India as well.

### METI Papers

It is in this background that we should examine the documents produced recently by METI. In the AEEC paper, several proposals with far-reaching, long-term implications have been made.

The paper envisages the emergence of an Asia that by 2030 is essentially middle-class. It calculates that 60% of the region's population in 2030, i.e. 2.3 billion people, will be middle-class. This is distinct from the present position where 400 million of 3.2 billion are classified as middle class. It is significant that in India, according to research by the National Council of Applied Economic Research, there are said to be 100,000 people who rise every day from above the poverty level into the ranks of the middle class. Thus the target of achieving middle-class status for 60% of Asians is not utopian.

This will be an Asia that is the leader of growth, knit together by comprehensive economic partnership agreements with Japan. ASEAN, China, South Korea, India, Australia and New Zealand will be members of this AEEC. Laudably, the plan is for Japanese technologies and experience to be placed at the disposal of member countries to realize a "Low Carbon and Sound Material Cycle Model."

The report also refers to the human-resource shortages in India and Vietnam that are proposed to be augmented by Japan. To achieve a seamless movement of people, goods, capital and information, the paper makes several practical suggestions.

### Environment & Energy

Jeffrey Sachs of the Earth Institute at Columbia University, like many other eminent environmentalists, is a great proponent of clean

coal technologies. These are rightly emphasized in the METI document as being vital. As both India and China have huge coal reserves, giving them Japanese technology for this purpose makes great sense. Assisting in building oil reserves is also important. According to the Reischauer Institute in Washington D.C., China, for example, has only 20% of the required number of VLCC ships, unlike Japan which has 100 and can therefore import 90% of its oil needs in its own ships.

Likewise China has only a 10-day stockpile of oil compared to 84 days for the United States and 163 days for Japan. Thus the METI plan to help Asian countries improve their capacity to store oil is vital for energy security.

The most important resource and the most endangered is water, and countries such as India face a major problem with the second largest population in the world and only a very small percentage of the world's water. The Japanese technology of composite reverse osmosis is of a high quality and worthy of being shared. Sanyo Electric Co., among others, has developed a good "3R" technology for reducing, reusing and recycling water. Their washing machine, for example, which recycles 80% of the water input, is a most valuable technology for water-short countries such as India.

Biomass, which agricultural countries such as Vietnam, Thailand and India have in abundance, is to be encouraged. India is the world's second largest producer of sugar cane, so use of the waste product of this industry for power production makes sound economic and environmental sense.

It is specially gratifying to note in the METI paper the determination to assist in the production of nuclear power. India is presently



*An IT industrial complex in Bangalore*

negotiating India-specific safeguards with the IAEA to bring into operation the India-US nuclear agreement of July 2005. As a leading member of the Nuclear Suppliers Group, Japan's support for nuclear power assumes importance. Toshiba Corp. and Hitachi Ltd. among other manufacturers stand to gain from the \$35 billion market that India represents in terms of its requirement for nuclear power equipment.

### **Academia- Industry- Government**

In February 2008, METI sponsored a seminar in Delhi, which was arranged by the Japan-India Partnership

Forum, to promote public-private partnership in the development of India's infrastructure. Keio University, among others, took a leading role at this seminar. In the building of IT networks, Keio also has taken a leading role in India and Vietnam and indeed in all of Southeast Asia with the distance learning project WIDE.

The METI paper has correctly underlined the importance of such activity. In the Delhi Mumbai Industrial Corridor, Japan has played a leading role in building a 'dedicated freight corridor' with railway technology of the best quality.

Human-resource development is an area also touched upon in the METI paper. In August 2007, during then Prime Minister Shinzo Abe's visit, when 12 top Japanese universities met their Indian counterparts, Keio made connections with 11 of India's top institutions including four institutes of technology. Japanese universities such as Tokyo, Waseda and Ritsumeikan are also active in promoting Japanese technical and managerial expertise in India and Southeast Asia.

## Legal Systems

While it is a good idea to work towards propagating "best practices in corporate and production management," it is not such a good idea to "make Japanese laws a model" for Asia, as has been proposed. It is possible to find 'synergies' in the cultural milieu in which legal systems operate, but to seek 'uniformity' is neither possible nor desirable.

I say this without prejudice to the need to streamline laws on intellectual property protection, which is clearly necessary and Japan's assistance is welcome. India has a relatively good record in this sphere, which is well recognized in the report.

## Information Technology

The need to use IT for creating safe and secure cross-border electronic commerce, anti-counterfeiting, global patents and protection of biodiversity is a most important goal of this study. In all these areas, India has expertise and possesses one of the richest storehouses of biodiversity in the world.

## Free Flow of Human Resources

It is particularly encouraging to see that Japan has plans to make it comfortable intellectually and in legal terms for foreign workers in the knowledge-intensive sector and other industries to live and work in Japan. SMEs in both countries can play a catalytic role in helping this process since many of them are knowledge-intensive companies.

NGOs such as the Japan-India Partnership Forum, which this author has the honor to chair, are also playing an important bridging role.

The recent partnership between Daiichi Sankyo Co. of Japan and Ranbaxy Laboratories of India is an example of a mutually profitable process in the pharmaceutical area where the Japanese company gains access to the 150 countries in which the Indian partner operates and in turn the Indian company gets access to the high-quality R&D of the Japanese partner.

## CEPEA

The increase in the flow of intra-Asian trade and of persons has been well mapped in the METI research paper on CEPEA. But a good deal remains to be done. India, for example, has a mere 400 students in Japan, in contrast to China which has 80,000 Indian students. METI and the Foreign Ministry are working towards bringing a larger number of highly qualified doctoral students to Japan for short- and long-term research. The Japan-India Partnership Forum

Photo: Kyodo News



Indian engineers working to program computer software at an IT company in Bangalore

had the privilege of assisting this process by organizing an event in August 2008 at Keio where 30 students from SAARC countries interacted with Japanese students and professors.

The example of QB, the barbershop chain cited in the paper as a successful enterprise worthy of emulation, is well chosen. Equally noteworthy and laudable is the proposal to promote the "one village, one product" concept as part of the Doha Round of trade negotiations. This is a good example of 'thinking global' and 'acting local.'

In the list of sales efforts mentioned at the end of the paper, where high-level visits to India by Japanese leaders to promote Japanese business are listed, we may add Abe's visit to India in August 2007 when he took 200 CEOs with him to interact with top Indian businessmen.

## Conclusion

I have little doubt that the trajectory on which Japan's relations with Asia are now embarked will lead to mutually beneficial and indeed profitable results for all partner countries. All countries participating in this exciting endeavor have to continue to strive to ensure equitable distribution of profits so the maximum number of people may prosper in harmony with each other. **JS**

*Aftab Seth is chairman, International Advisory Committee, Keio University, and chairman, Japan-India Partnership Forum. He is India's former ambassador to Greece, Vietnam and Japan.*