

Prospects for Pacific Basin technology transfer

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EIR: I wanted to ask you about a topic not really discussed here at Shimoda. That is the question of what Japan and the United States can do together to promote world economic recovery and then development. One idea that has interested *EIR* is Pacific Basin development. I understand Prime Minister Nakasone is interested in this, as are some of President Reagan's advisers. Do you think this might be a topic at the Reagan-Nakasone summit in Tokyo in November?

Sekiguchi: I'm not sure how interested President Reagan is in this idea. Nakasone has certainly expressed interest in public.

The idea that we in Japan are now pursuing originally came about during the Ohira administration [1978-80], when a report was written promoting Pacific Basin development. But the report was very vague. Some Americans said the report should have proposed a more concrete agenda. This was not done in order to take into account the view of the members of ASEAN [Association of South East Asian Nations, including Thailand, Philippines, Indonesia, Malaysia, and Singapore.] The ASEAN nations are concerned about any effort that would weaken ASEAN solidarity, particularly a political structure with a gigantic role for the United States and Japan.

EIR: What is being done now to promote the Pacific Basin, particularly in the area of capital investment and industrialization?

Sekiguchi: In June of 1982 a number of groups from different countries held a Pacific Basin seminar in Bangkok. At that time, a number of task forces were set up, which are scheduled to report back at a conference in Bali, Indonesia this November. Among them are task forces on trade in manufactured goods by a Korean group, and technology

transfer and capital investment by a Japanese group. I am leading the task force on capital investment.

I must stress that these reports are all in the preliminary stage, and they may be revised before being finally presented at Bali. So, what I am telling you is only preliminary ideas.

The Korean draft emphasizes that there has been a remarkable change in the composition of production in the so-called Newly Industrializing Countries [NICs]. There is a change in their comparative advantage to more skilled production away from just raw materials or low-skill assembly. In fact, the Koreans say that one day the combined economies of Korea and ASEAN may overtake Japan.

The ASEAN countries are growing very fast, and would like to do so even faster. Therefore, the industrialized countries like Japan and America must import more *manufactured goods* from Korea and ASEAN. The Korean draft stresses that import barriers against manufactured goods must be ended. In the future, active measures to help promote imports of manufactured goods from developing countries could be undertaken. The Japanese response has been that there aren't any significant barriers.

In addition, the Korean preliminary draft says consideration should be given to setting up multilateral trading companies among the developing countries, sort of semi-governmental institutions to help promote trade among Korea, the ASEAN countries, and between the developing and advanced countries. Perhaps this idea goes too far, but all of this will be discussed before any final presentation is made at Bali.

EIR: What is the Japanese report saying?

Sekiguchi: There are two Japanese reports, one on investment, the other on technology transfer.

The developing countries need a high-growth economic strategy in order to develop. That means that they need a lot of direct investment from the outside. The ASEAN countries want the direct investment, but they are concerned about foreign domination, e.g., multinationals owning large amounts of equity in their countries' corporations. They argued at the UNCTAD [United Nations Committee on Trade and Development] conference for a New World Economic Order. But they are not radicals.

Our paper does not have a specific solution but we are trying to pose the problem in clear terms. So we need to discuss this more.

EIR: What about the technology transfer report?

Sekiguchi: We had a few practical proposals. One is to establish an information center and a translation center in the Pacific Basin. This is to help governments and firms of developing countries, because they have a handicap in access to information about technologies, environmental protection, and so forth. A second idea is to create a regional

cooperation center in providing practical education and training to middle management people in the region, and also some factory workers to help their skills. Also, that regional center should invite some middle-echelon government officials in charge of these investment matters to improve their capabilities in policy innovation. Everyone welcomed these ideas. The centers will probably soon be established by funds from all the countries in the region.

But there are also some controversial measures. LDC delegates want technology transferred without foreign equity control. Advanced people say if some technology is developed by an advanced country private firm, then trade in that technology should be done on a purely commercial basis. One idea that was controversial is that governments should aid the transfer to developing country companies on concessional basis. For example, public agencies could buy licensing rights and then sell them to developing country firms. The innovating firm would get its full fee and the recipient would get technology without giving up control. But this is all very vague and preliminary. We may have to revise this idea.

EIR: Let me locate this discussion in terms of economic strategy. The 1971 Japan Industrial Structure Council report and earlier Japanese Pacific Basin proposals had stated that Japan's own industrial progress to the "knowledge-intensive era" hinged on the industrialization of the developing countries. But now, because of the economic recession and long-term low growth of the world economy, many people fear a "boomerang" effect. For example, in the early 1970s Japan helped Korea build Pohang Steel, but now there is hesitancy to help expand that because of fear of saturated markets. Japan's attitude toward Korea seems to be a test cast for its approach to the entire developing sector. In regard to ASEAN, currently Nakasone is talking about helping renovate *existing* factories, rather than helping to build new ones.

Sekiguchi: Though the Japanese government officially declares Japanese industry should move to higher technology industries to make room for industrial exports from NICs and ASEAN, it is also true in the private sector there is concern about the "boomerang" effect from developing countries.

When Prime Minister Fukuda visited ASEAN in 1977, he promised \$1 billion in aid for big projects, but feasibility studies found it difficult to pinpoint the best projects. We took many years to find good projects, and some are going on. But successors are trying to find smaller projects.

About Korea, I understand that at recent Japan-Korea ministerial meetings, the Korean government listed 300 items of technology they wanted transferred from Japan. According to Korean economists, they do not want grants. They want to buy, but they claim the Japanese companies are reluctant even to sell the technology. The Japanese government counterpart responded by saying that almost all trans-

actions should be made on commercial basis. This disappointed the Koreans.

EIR: This means the Japanese government would not encourage the firms to sell the technology, but would stand aside. Yet, in the early 1970s, Nippon Steel had helped build the Pohang Steel plant, with the encouragement of the Tanaka administration under your knowledge-intensive strategy. It seems to me that Korea has the same relation to Japan, on this point, that Japan had to the United States 20 years ago. Now, because of the world economic slowdown, it seems some Japanese have a similar fear of Korean advancement that some Americans have toward Japan.

Sekiguchi: On the first point, The Japanese government can encourage the private companies to sell technology, but the private companies may not accept that.

The executives of Nippon Steel are in a very difficult position. They did cooperate to establish that first plant. Now steel imports from Korea to Japan are now increasing very rapidly. Of course, back in the early 1970s, Nippon Steel thought that they could transfer this technology and equipment for producing ordinary steel and then shift to higher technology. Japanese steelmakers are now rather specialized, e.g., seamless pipe. Now, Pohang Steel requests transfer of technology for specialty items like seamless pipe. So Nippon Steel is very cautious.

In the late 1960s, Japanese steelmakers accepted voluntary export restraints to the United States. If the Korean steel producers accept that kind of arrangement, then Nippon Steel might be more willing to transfer the technology. But Koreans resist this.

EIR: If there were growth and technological advancement in the world economy, and markets for advanced goods, then I don't think Japanese or American firms would have such objections to transferring capital-intensive middle-technology industries to the NICs.

In order to spur that kind of world recovery, we at *EIR* are promoting massive infrastructure projects in the Pacific Basin. For instance, Indian irrigation and hydroelectric projects that could stop the problem of so many plants operating at half of capacity, due only to lack of energy. This project could double India's capacity, and would require tremendous input of equipment and so forth from the United States and Japan. That is only one example.

Sekiguchi: So far we have not discussed that kind of idea at our conferences. Personally, I think it's a good idea. I suppose major funding must come from government for major projects. I think it is feasible, but under current budget atmosphere in Japan or America, I think it is very difficult. If the United States and other governments support this, then Japan will certainly participate, but I don't think the Japanese government would initiate this kind of idea.