Asian Experience and Its Applicability to Africa:
Lessons Learned from South-South Trade in Asia
And the Role of Regional Trade Agreements
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Thank you very much for your kind introduction.

My name is Tomoharu Washio, and I am a member of the board of directors of JETRO. I am happy that the results of the joint JETRO-UNCTAD study are going to be presented here in Geneva, as part of the pre-conference events of UNCTAD XII.

I would like to begin by noting that there is nothing new in the idea of applying the experience of Asia's economic development to Africa. But the situation is changing day by day not just in Africa, but in Asia as well. One tenet I hold is that both analysts and policymakers must take care to constantly keep adjusting their viewpoints to changing circumstances. I think that need applies to the situation at hand.

When you look at Asia with that in mind, what is new – something we hadn't seen before – is the remarkable progress in economic integration and the effort to build a network of regional trade agreements or RTAs that pushes it forward. The JETRO-UNCTAD study puts this viewpoint up front and focuses on South-South trade and the workings of RTAs to call for the need of steadier practical partnering among industries.

The details of the study will be discussed in the following sessions. Here I would point to one passage in the report's overview.

> RTAs can be one of the strongest facilitators of regional trade and economic integration and entry in global and regional value chains of production and trade. However, it should be highlighted that the growing interdependence of developing Asia is not solely a consequence of regional integration through RTAs. In actual terms, this integration was predominantly the result of intensified intra-industry linkages and cooperation.

To put it another way, I would stress the role of foreign corporations in general and Japanese corporations in particular in bringing about industrial partnerships in Asia.

As many of you may recall, economic development in East Asia was once compared to the goose flight formation. In this V-shaped flight model, Japan was the leader-goose, followed by the

NIEs, then by ASEAN. The idea was that such a formation would allow many other countries to follow in economic development. What was envisioned was positive ripple effects.

Now, however, I look at the goose flight formation more as a result of the realities of international politics, namely, the Cold War conflicts, than as a result of a pure or natural form of economic development. During the Cold War, there were, in East Asia, the Soviet Union, China, and Vietnam, and these countries formed an economic bloc different from that of capitalist economies, and separating the two blocs was a bamboo curtain. The existence of that curtain enabled Japan to produce ripple effects, creating first the Asian NIEs, then ASEAN, thereby providing a foundation for regional economic integration.

But as the Soviet Union began to wobble in the latter half of the 1980s, the bamboo curtain came down, and the situation began to alter. China, which had been the target of the U.S. containment policy, suddenly turned around and proceeded to reform and open its market. This removed the geopolitical factors that had isolated China from the process of economic integration in East Asia. Then, as China's economy began to take off, that country naturally joined the flight toward regional economic integration, even though, because it joined it last, its presence wasn't felt much at the beginning.

However, that did not last long. In short order, the last to join the flight became the one to lead it, turning itself into the leader. Remarkably, China underwent the four stages of joining, following, catching up, and leading in a mere twenty years. Today, it has even begun to play the role of transforming the structure of economic integration of East Asia.

Economic development imagined in the goose flight formation assumed upward mobility of sorts, from the lower, to the middle, to the upper stratum. In contrast, China has, as it were, "flattened" the process. Even though the country was midway in economic advancement, as it still is, it placed itself at the center of regional economic development and became the engine of the whole region.

This change was greatly aided by competition that was brought on by the collapse of the Cold War regime. The new entrant China and the members of the ASEAN began to compete for foreign capital by improving their business environments. The competition began to heat up in the latter half of the 1980s and, with the Bogor Declaration, in 1994, spread throughout the Asia-Pacific region. Then came the Asian currency crisis in the latter half of the 1990s. The crisis, however, left China with its tight currency control intact while hurting ASEAN members for a while. As a result, it enabled the country to gain ground and establish and solidify its superior position.

Thus, in my view, the shifting industrial linkages in East Asia cannot be separated from the changing political framework of the region. First, there is competition for foreign investments among the countries in a particular region. Foreign investors, manufacturers above all, respond. This leads to regional borderless market integration. The effort to establish a network of RTAs ensues, which is a political effort to secure what is already accomplished, de facto, economically.

I hope that the discussions that follow will throw some light on the basic conditions that are necessary in considering the application of Asia's experience to Africa.

Thank you very much.