

## The Relationship between Japan and Pakistan

I am very pleased to be given the opportunity to speak on the Relationship between Japan and Pakistan to the members of *Hyderabad Chamber of Commerce & Industry* today.

(Overview of bilateral relations)

Japan and Pakistan have always had a friendly relation throughout the last 60 years. Japan and Pakistan established diplomatic relations in April 1952. Their Majesties the Emperor and Empress of Japan paid a visit to Pakistan in January 1962 as then Crown Prince and Princess. In November 1992, Their Imperial Highness Prince Akishino, the second son of the Emperor and Princess, visited Pakistan.

The friendly relationship between the two countries is mainly centered on economic cooperation. Having started as a trading partner particularly in cotton and textile sectors in the 1950's, Japan's textile industry was dependent on Pakistan's raw cotton. And then Pakistani business started to export value-added cotton yarn instead of raw cotton and the modernization of spinning industry in Pakistan began from that time onwards. Japanese spindles played an important role to build Pakistan's textile industry. Japan exported a lot of textile machineries to Pakistan and imported the cotton yarn from Pakistan at that time. Therefore, Japan made a notable contribution to the modernization of Pakistani textile industry. I have visited a Textile Mill in Hyderabad this morning and you could say that this is one of such good examples. I believe that Hyderabad has been and will continue to be a center of textile industry in Pakistan.

(Trade relations)

Talking about the current situation of bilateral trade between Japan and Pakistan, in 2012 the total volume of trade between Japan and Pakistan was about 2.1 billion US dollars. Exports from Pakistan accounts to about 0.43 billion US dollars and imports from Japan was about 1.69 US dollars. The trade gap stands at 1.26 billion US dollars, in favor of Japan.

Up to the year 2005, almost 60% of the exports from Pakistan to Japan were textile related. Cotton yarn accounted for about 40% of the textile related exports from Pakistan to Japan. By the year 2011, the ratio of textile items dropped to 28%. And export of naphtha increased to over 28% instead, followed by chemical products (17%) and nonferrous metal (8%). The major reason of the decline of export of textile items was the decline in demand of fabric made from cotton in Japan. The Pakistan's imports from Japan were mostly related to the machinery equipment in the textile sector in the past. But now the import of cars occupies 30% and car parts 12%, so the imports of automobile related products account for 42%, while the import of textile industry only accounts for 22%.

There are various suggestions to improve the overall trade balance between the two countries. The diversification of items and market research must be carried out. One of the most important measures is to make the export items more value-added.

(Investment to Pakistan)

The total foreign direct investment in 2008 was 3.7 billion US dollars and it dropped more than half to 1.6 billion US dollars in 2010. The FDI from Japan was 131 million US dollars in 2007-08. It went down to 74 million US dollars in 2008-09 and then to 27 million US dollars in 2009-10. In the year 2010-11 the FDI was 3 million US dollars and it went up in 2011-12 to 23 million US dollars.

The main reasons for low FDI into Pakistan is the poor law and order situation, electricity load shedding and overall energy crisis in the country and thirdly the inconsistency of policies.

I would like to point out that Japanese companies have made sizeable investment to the countries in South East Asia as the investment climate is attractive without any negative factor of energy deficit or law and order. To give you a few examples, in Vietnam the number of Japanese companies have almost doubled from 500 in 2004 to 940 in 2012 and in Cambodia also it doubled from 50 to 100 in the last few years. It is the political stability along with infrastructure that has attracted investment.

Now 76 Japanese companies are operating in Pakistan and 49 are operating in Karachi. The areas of Japanese investment in Karachi are automobile and motorcycle industries, steel mills and zippers.

Japanese companies and investors have always been keen on searching for business chances in Pakistan.

For example, in October last year, JETRO organized a Japanese investment mission to Pakistan in connection with "*Expo Pakistan 2012*" held in Karachi. The mission, made up of 19 persons from 14 major Japanese companies, visited Karachi, Islamabad, Sialkot and Lahore. The mission attended business conferences and meetings to explore business opportunities in Pakistan. The mission, in particular, had a roundtable meeting with the President of Pakistan, H.E. Mr. Asif Ali Zardari, in Islamabad.

Early February this year, a Pakistani business mission, made up of about 20 members including *the Administrator of Karachi*, officials from *the Board of Investment*, representatives of *Pakistan-Japan Business Forum (PJBF)* and representatives of the pharmaceutical sector visited Japan. The mission participated in business conferences and meetings organized by *the Bank of Tokyo-Mitsubishi UFJ*

Those endeavors have been made to attract investment from Japan, but in order to gain new investment flows from Japan, the law and order situation, the infrastructure such as electricity, water and roads must be improved and the economic policies should be consistent and should not be changed so frequently. If these conditions are improved, I am sure that new investments are expected to expand in the future.

(Japan's ODA to Pakistan)

Since 1954, Japan has been extending its ODA to Pakistan. The schemes of cooperation range from technical cooperation, grant aid and ODA loans in various sectors like health, education, environment, water supply, agriculture, transportation, infrastructure and so on. The cumulative amount of ODA from Japan to Pakistan up to Year 2010 is about 5.89 billion US dollars; 3.73 billion of Yen Loan, 1.74 billion of grant aid and 0.42 billion of Technical assistance.

In the area of emergency aid, Japan provided timely emergency assistance to Pakistan at the time of earthquake in AJK in 2005 and the floods in 2010, 2011 and 2012. In 2012 alone, Japan provided emergency relief goods such as tents, blankets, plastic sheets, etc. worth 35 million yen and Japan also provided additional emergency grant aid worth 4.7 million US dollars, comprising of food through WFP, shelters through IOM and water and sanitation through UNHABITAT.

Pakistan too extended assistance to Japan at the time of the Great East Japan Earthquake and Tsunami in March 2011. Pakistan provided relief goods such as mineral water, milk and biscuits to Japan and the Pakistani people in Japan went to Tohoku region to serve curry and rice to the victims. This proves that the cordial and friendly relationship between Japan and Pakistan has always been maintained.

Two years have passed since the Great East Japan Earthquake occurred on the 11<sup>th</sup> of March 2011. Japan has made best efforts to recover from the disaster and the reconstruction process is well on the way.

Japan has a scheme called "Grant Assistance for Grassroots Human Security Project (GGP) to support small-scale development projects to meet the basic human needs of the local people. Japan has granted more than 200 assistances to Pakistan through this scheme to date and the Consulate-General of Japan in Karachi has so far implemented 8 projects since 2009.

(Prospect for Pakistan's development)

Pakistan is a country with great potential for economic growth. Pakistan has a large population of 180 million, the 6<sup>th</sup> largest in the world. This means there is a large market in Pakistan. And Pakistan is very near to the Middle East. So a large potential market lies not only in South Asia but also in the Middle East. The large manpower and natural resources such as copper and coal are also available. With these available resources and favorable conditions, Pakistan has a big potential for development in the future.

What I would like to stress here is that education is one of the most important factors for development of a nation. Japan has no natural resources but has only human resources, who are very well educated. The Japanese people rose from ashes of the World War Two and are now rising again after the Great East Japan Earthquake in March 2011. Just to give you a figure of Japanese educational level, in Japan about 98% of junior high school graduates go to senior high school and about 54% of senior high school graduates go to university or college.

So in Pakistan too, the key for success in developing the country is education. Basic education for all and higher education, especially in the area of science and technology, is important for economic development.

(How to get information on Japan and Japanese culture)

I have brought some materials on Japan today. A magazine called "*Niponica*" is to introduce Japanese culture and "*Japan Information Bulletin*" is to introduce activities of the Embassy and the Consulate-General of Japan. When you have a chance to come to Karachi, please pay a visit to Japan Information and Culture Center (JICC) of the Consulate-General of Japan. The JICC has a library, an exhibition hall and a reading room for Pakistani people to get to know about Japan. We organize various cultural events such as exhibitions, film shows, etc. at the Center.

And also please visit the Web-site of the Consulate-General of Japan, the Ministry of Foreign Affairs of Japan and also there is a Web-site called "*Web Japan*" where you can get information on Japan and the Japanese people. As for information on Japan's foreign policy, the Web-site called "*Discuss Japan - Japan Foreign Policy Forum*" is available. So please visit those Web-sites for your reference.

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