

# Lecture on “Bilateral Relations between Japan and Pakistan” at the National Institute of Management on November 21, 2013

I am very pleased to be given the opportunity to address the lecture today.

(Overview of bilateral relations)

Today I would like to talk about bilateral relations between Japan and Pakistan. 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.

(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 2.1 billion US dollars. Exports from Pakistan accounts to about 0.43 billion US dollars and imports from Japan was 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 2012, the ratio of textile items dropped to 24%. And export of chemical products increased to over 25% instead, followed by nonferrous metal (12%) and naphtha (11%). 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 imports of automobile related products account for 46%, while the import of machinery, including textile sector, only accounts for 19%.

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 possibility lies in mango export. This year Pakistan successfully exported 2.65 tons of mangoes to Japan. I hear that the reaction in Japan is very favorable of its sweetness of Pakistani mangoes. The next step is how to make a good advertisement in Japan. And of course the quality of mangoes to be exported to Japan should be kept at the highest level. I hope the amount of mangoes to be exported to Japan next year will be greatly increased.

Another factor to be kept in mind is that to make the export items more value-added. It is recommended that whatever you are planning to export to Japan be value-added in order to have competitive edge in the global market.

(Investment to Pakistan)

The total foreign direct investment in 2008 was 3.7 billion US dollars and it dropped to 0.8 billion US dollars in 2011. The FDI from Japan was 131 million US dollars in 2007-08 but it went down to 23 million US dollars in 2011-12.

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 45 are operating in Karachi. The areas of Japanese investment in Karachi are automobile and motorcycle industries, steel mills and zippers.

Under the initiative of the new Government, we hope to see the improvement in the investment climate.

As for Japan, Investment Mission from Japan, comprising of 19 persons from 14 Japanese companies, organized by JETRO, visited Pakistan, including Karachi in October last year. And about 20 people from Pakistani companies of mainly pharmaceutical sector visited Japan in February this year to attend the business meetings organized by Mitsubishi-Tokyo UFJ Bank. And from September 28 to October 2 this year, a business mission from Japan, comprising of 14 persons from 12 Japanese companies, organized by JETRO, visited Pakistan, including Karachi at the occasion of Expo Pakistan.

These 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 2011 is about 6.42 billion US dollars; 3.90 billion of Yen Loan, 2.08 billion of grant aid and 0.44 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.

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.

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 9 projects since 2009.

(Prospect for Pakistan's development)

Pakistan is a country with great potential for economic growth and Karachi is the key area for such economic growth. Pakistan has a large population of 188 million, the 6<sup>th</sup> largest in the world and going to be 340 million in 2050, becoming the 4<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. Human resources of Japan have such qualities as sincerity, honesty, dedication, discipline, punctuality and consideration for others. These qualities are as important as technical skills. The media in the world reported very highly that at the time of the Great East Japan Earthquake of March 11, 2011, the people in Tohoku region of Japan were very much disciplined, helped others and lined up patiently for food allocation, etc. The Japanese people with these qualities rose from ashes of World War Two and are now rising again after the Great East Japan Earthquake.

Let me quote a figure of Japanese educational level. In Japan about 98% of junior high school graduates go on to high schools and about 48% of high school graduates go to universities and about 6% go to junior colleges and about 17% go to specialized technical colleges and if I add the students of 4<sup>th</sup> grade of technical colleges,

the rate of high school graduates who go on to study in the higher level is about 80%.

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.

(Some advice to the attendees)

I understand that the attendees today are the senior civil servants. We also have a similar training for the Government officials in Japan. In addition to the upgrading of knowledge and knowhow, we are constantly reminded of the ethics as a civil servant to observe and that we are the servants to all the people in the nation. Actually we have an act called “the National Public Service Ethics Act” for all the Japanese civil servants to observe very strictly. Today, I have brought some copies of the outline of this Ethics Act, so please take them with you for your reference.

One thing I would like to make an advice is that please make the Government’s administrative procedures more smoothly and efficiently. To give you some examples, I have waited for nearly 2 months to get an agreement to be the Consul-General, 2 months to get an I.D. card and 5 months to get a diplomatic visa to stay in Pakistan. Administrative procedures here take too much time. So more smooth and efficient Government procedures are strongly required.

Another example is that Government policies are frequently changed. For instance, although the production of CNG cars were encouraged by the Pakistani Government in the first place, now the importation of CNG kits are prohibited. So many automobile companies which started production of CNG cars were greatly damaged. Another example is that only 3 year old cars were allowed to be imported before but later 5 year old cars were allowed to be imported. So the sales of new cars decreased accordingly. Although the policy went back to the previous one, this caused damage to many automobile companies. So the policies you implement should be consistent in meeting the request from the business communities.

I hope you will always consider the benefits of the general public and implement procedures in smooth and efficient way and will also be consistent in making policies.

Another important factor for civil service in this country is to have a good governance. You have laws and regulations in every aspect but efficient implementation and administration of those laws and regulations should be strengthened. Not just the regulation of weapons but the regulation of traffic violation or tax evasion or bribery, etc. should be tightened. I hope to see a great improvement in these aspects because good governance is a prerequisite for sustainable development of a nation.

(About Japanese new economic policy)

As you may know that Mr. Shinzo Abe, Prime Minister of Japan has introduced a suite of measures called “Abenomics” after being re-elected as Prime Minister second time.

The Abe administration has been simultaneously implementing the policy mix of the “three arrows” for reviving the Japanese economy: (1) Aggressive monetary policy; (2) Flexible fiscal policy; and (3) A growth strategy that encourages private sector investment.

We see the effect of “Abenomics” clearly after it has been implemented. For example, GDP growth rate has recovered up to the level of 3.6% in terms of annual growth rate in April – June term. The personal consumption has been recovered and the depreciation of yen pushed up the export and the stock prices have risen recently.

In June this year, the G8 leaders met in U.K. and Prime Minister Abe represented Japan at the Summit. The main theme of the Summit was 3T (Trade, Tax, Transparency), and the G8 leaders exchanged views on a wide

range of issues including the world economy and the foreign policy. In the context of the world economy, Prime Minister Abe explained the Japanese economic policy, mainly “Abenomics”. In response, participating leaders expressed the strong hope that Japanese economic revitalization would contribute to the development of the global economy.

Another new initiative which Prime Minister Abe announced at this year’s United Nation’s General Assembly is called “womenomics”. “Womenomics” asserts that the more the advance of women in society is promoted, the higher the growth rate becomes. Creating an environment in which women find it comfortable to work and enhancing opportunities for women to work and to be active in society is a matter of great importance which is essential for a vibrant and growing society. I don’t have to repeat the story of Ms. Malala Yousafzai who has strongly appealed to the world the message of the importance of women’s education in Pakistan.

Many of you may know already but one thing I would like to announce here is that on September 7, Tokyo was elected as the host city of the 2020 Olympic and Paralympic Games. We are very happy that Tokyo was chosen as the host city for the 2020 Olympic and Paralympic Games. And we are determined to make the event a success.

(How to get information on Japan and Japanese culture)

Finally, I would like to introduce the activities done by the 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 film shows, exhibitions, etc. at the Center. We also issue “*Japan Information Bulletin*” three times a year. We have *Niponica*, a magazine about Japanese culture and other publications available at the Center. Today, we have brought the recent publications of “*Japan Information Bulletin*” and *Niponica* with us, so please feel free to take them after the lecture.

You can also borrow books and DVDs on Japan by just becoming a member of the Library of the Center. So I hope many Pakistani people will visit JICC and become the members of the Library of the Center and utilize the facilities and get to know more about Japan. 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 comprehensive 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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