

Conclusion

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The study group organized by the Bangkok Research Center, IDE-JETRO, compared China-Japan economic relationships with the Mekong River Basin countries, particularly, the CLMV countries. Findings and some tentative conclusions are summarized as follows:

- (1) One major difference in the trade relations between China/Japan and CLMV is that China has a huge trade surplus while Japan has a deficit with CLMV as a whole. This implies that Japan's trade may reflect the division of labor among production processes (so-called 'fragmentation theory'), especially, with Vietnam in CLMV. The huge Chinese surplus may cause a trade dispute with CLMV countries in the future.
- (2) Chinese imports from CLMV consist mainly of raw materials, mineral products, and energy-related goods. This may hinder the development of manufacturing industries, particularly, processing industries, which, in turn, may make it impossible to increase value-added in the CLMV countries. In other words, the long-term sustainable development of CLMV countries will be heavily affected.
- (3) Japan took the same measures as China during the 1960s and 1970s. Japan needed raw materials, especially minerals and petroleum, to fuel its rapid economic growth. It used FDI and ODA to exploit these products in developing countries. In the case of log importation, Japan's exploitation of this resource invited the complete export embargo of logs from Indonesia in 1985, the

Philippines in 1986, and the State of Sabah, Malaysia, in 1993. Patterns of trade, FDI and ODA, thus, depend on the stage of a country's development and mere exploitation of natural resources should possibly be avoided.

- (4) Japan should maintain four principles in the ODA Charter (1992). Internationally, these principles are needed as a full-fledged nation.
- (5) Negative development effects of trade and FDI such as smuggling, drug trafficking, trafficking of women and children, sex crimes, HIV, illegal migration, counterfeit money, money laundering, product safety, intellectual property rights, industrial wastes, and environmental deterioration should be addressed through the concerted efforts of both trade partners. Environmental destruction should especially be avoided.
- (6) China and Japan can cooperate to help in the development of CLMV countries, particularly, through ODA. Under the present worldwide recession, the collaboration of these two countries is needed more than ever to stimulate domestic demand as well as public investments in the region.

Finally, next year's study should include several points which this study could not touch upon. First, Korea's presence in East Asia is obvious, so we need a Korean researcher in the study. Second, Cambodia is not represented in this study. A Cambodian researcher should also be included. Third, we have realized that Thailand and Vietnam have become important players. We need to analyze more intra-regional relationships among MRB countries. Fourth, we would do well to search for possible ODA cooperation projects between China and Japan in order to obtain a real integrated world in East Asia.