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the share of trade with that same area (exports 28 p.c., imports 15 p.c.). This seems to be so because the Japanese are trying to build up their scope of influence in Asia to overcome the former situation characterised by diversified export expansion with no special area of influence.

Table 3
Geographical Distribution of Japanese Aid

Area	1962		1967	
	\$ mn	p.c.	\$ mn	p.c.
Asia (exclude West Asia)	149	52	500	62
Latin America	102	35	44	5
Africa	4	1	203	25
others	35	12	64	8
Total	290	100	811	100

Source: MITI, The Status and Problems of Economic Co-operation, 1968.

Japanese terms of aid are comparatively severe. In 1967, the average interest rate was 4.8 p.c., and the average term of refund was 16.6 years in contrast to the average of 3.8 p.c. and 23.4 years of DAC members. The terms have improved, though, if compared with 6 p.c. and 15 years in 1962. But Japan's accumulation of capital is still insufficient and the procurement of funds is not so easy in the domestic money market. The

average domestic regulated money rate on lending of all banks was 6.9 p.c., and the non-regulated rate was 8.2 p.c. in 1967. A mitigation of the terms of aid shall be realised in accordance with Japan's capital accumulation.

Conclusions

Japan has been for a long time in a dilemma whether it should help building up those industries, through aid, which might strongly compete with its own important domestic industries, or whether it should, without giving aid, remain a political orphan in Asia. The present Japanese economic policy is inclined toward the first alternative, since strong economies are always the best trading partners.

As was stated at the outset, aid has two meanings for aided countries: economic growth and economic subordination. It is not so easy for developing countries to achieve independent economic development, getting rid of economic subordination. Though the situation is now different from the old imperialistic stage, it still is a complicated one. However, independent economic growth of developing countries can be achieved in the long run, as the Japanese example has shown.

A Centre of International Growth

by Dr Hans-Jürgen Harborth, German Overseas Institute, Hamburg *

The enquiry described by this report has started from the following question: will it be possible to make use, for international or even worldwide purposes, of similar structures for inducing economic growth as have been adopted successfully for a single nation's regional policy? To be more precise: are there growth centres radiating impulses of economic growth in worldwide dimension as well? French economists, F. Perroux in particular, have stated that national development strategy could be based on such underlying foundations¹.

* From January 1, 1970, in: Research Institute for International Techno-Economic Co-operation, Technical University, Aachen.

¹ Cf. F. Perroux, Note sur la notion de "pôle de croissance". In: *Economique Appliquée*, Vol. 6 (1953), p. 307 seqq. Furthermore J.-R. Bouderville, Problems of Regional Economic Planning, Edinburgh University Press 1966, and H. Körner, Industrielle Entwicklungspole als Instrumente der Regionalpolitik in Entwicklungsländern. In: *Kyklos*, Vol. XX (1967), p. 684-707.

It seems that Japan's economic rise to becoming the fourth main focus of the world economy² might serve as the model for creating new centres for inducing international economic growth. Before giving cogent reasons for this assumption, it may be useful to preface this argument by highlighting a salient difference between national and international centres of economic growth: the energies radiating from a national growth pole may influence and transform the entire economy of adjacent areas, whilst growth impulses emanating from a centre influencing a vast region, or even the entire economy of the world, operate in a different fashion. The greater the distance is between the growth centre and the region which

² A. Predöhl regards this a tendency towards a multi-centred world economy. Cf. A. Predöhl, Das Ende der Weltwirtschaftskrise, Reinbek 1962, p. 93 seqq.

it may influence and transform, the bigger is the impact which national economies make in such regions, and the shorter is the leverage possessed by outside influences (as, for example, in India's case). But, on the other hand, there are vast regions which are sparsely populated and yet utterly dependent on their international exchanges, and then, the forces of growths infringing on such regions from the outside are much more than a simple sum of export and import volumes and values.

Japanese Demand

Has Japan succeeded in exerting a decisive influence on the regional foreign trade of its neighbours in South-East Asia? How do these countries' exports to Japan shape? It may first be pertinent to point out that, unlike the South-East Asian region, almost all the developing countries of Latin America, Africa, the Middle East, and Southern Asia have remained strongly dependent, with their foreign trade, upon the two older trade centres, the United States and Western Europe. On the other hand, most countries of the Far East and of South-East Asia have been able to free themselves, to a decisive degree, from complete dependence of their foreign trade upon these two industrial regions, and this has been made possible through Japan's intervention and, to a much lesser extent, by that of Red China, who have become the source of a powerful demand for raw materials and of supplies of manufactured goods.

In the absence of Japanese demand, many Asian countries would have been forced, in recent years, to do without an important part of their exports: the Philippines, in 1966/67, sent one third, Malaysia³ and South Korea, also in 1966/67, one quarter, Indonesia, in 1967, Thailand, in 1966, and Taiwan, in 1968, all about one fifth of their exports to Japan⁴. The bulk of these exports consisted of raw materials — mainly timber, ores, crude petroleum, rubber, rice, tropical fruit and vegetables. This Japanese demand for raw materials produced by its neighbouring countries could essentially increase once the corresponding capacities are extended under the protection of transport costs. For the time being the already developed peripheral parts of the world economy, mainly Australia, New Zealand as well as the western regions of Canada and the US are profiting mostly from the unquenchable thirst of Japan's industry. At present the United States supply Japan with as much raw materials and food stuffs as all Eastern and South Eastern countries do together⁵. Australia's deliveries, consisting mainly of wool, ores, coal, wheat and other

foodstuffs, represent already one fifth of its total exports⁶. But a few developing countries of the Middle East, in Latin America, and in Africa which offer specialised exports have been able to ship considerable parts of their total external trade to Japan, e.g. Nicaragua and Zambia.

Value of Worldwide Backward Linkages

The great value of such worldwide backward linkages based on the existence of a new focal area in world markets need not be elaborately explained. In 1968, for example, Japan's imports in raw materials and foodstuffs amounted to US\$9 bn. These imports, moreover, are complementary in character, and thus can be recognised as an ideal guarantee for the realisation of linkage effects which are theoretically possible⁷. It is an added advantage that most developing countries are already prepared to fill a growing demand for raw materials and foodstuffs, as they have capacities to spare. The farmers of countries adjacent to the growth centre are thus given a strong incentive—as von Thünen's rule predicts—for going over from extensive to intensive farming, which is the indispensable basis for it, no successful industrialisation will be possible in any developing country.

Should the productive capacities of adjacent countries lack sufficient elasticity for coping swiftly with increased demand, industrialists in the new growth centre will attempt to apply their own capital and knowhow to the task of creating new capacities on their own, naturally using equipment which they manufacture themselves and, if needed, also creating the needed transport facilities. This is the exact path mapped out for itself and trodden by Japan in the whole of South-East Asia, and more recently also in Australia and Canada. The same is the aim of a recent agreement concluded by Japan and the Soviet Union on the Japanese taking part in opening up and exploiting the rich timber stands of the Soviet Far East. Japan will supply, in exchange for receiving building timber and coal from Eastern Siberia, industrial equipment⁸.

Further Impulses for Growth

Clearly, Japan's entry into and progress along ever growing distances in a vast economic region of the world has been especially due to the pressing scarcity of raw materials on Japan's own soil. Its economic activities in the Far East and in South-East Asia, however, are not restricted to dealings in raw materials. Apparently, Japan is

³ Referring to total exports. Exports to Singapore.

⁴ Calculated from absolute figures published in 1. UN, Commodity Trade Statistics 1968 (Statistical Papers, Series D, Vol. XVII, No. 1-25), New York 1969. 2. UN, Yearbook of International Trade Statistics 1966, New York 1968. 3. Ostasiatischer Verein e.V. (Hamburg) (quoted as OAV in the following), *Ländernachrichten* No. 19/68, 25/68, 29/68 and 6/69.

⁵ From January to September 1968 Japan imported from the USA raw materials (SITC-groups 0 to 4) for US\$1.62 bn, from the whole of East and South-East Asia (excluding Communist countries) to the tune of US\$1.31 bn (Source: UN, Commodity Trade Statistics 1968, op. cit. No. 1-19).

⁶ In absolute figures in: UN Commodity Trade Statistics 1967, op. cit., Vol. XVII, No. 1-32.

⁷ Cf. H. Körner, op. cit., p. 691.

⁸ Cf. OAV, *Ländernachrichten* No. 30/68 of Dec. 6, 1968, p. 10.

gradually becoming the industrial mentor of South Korea, Taiwan, Hong Kong, the Philippines, and Malaysia in exactly the same form as Britain had been the centre from which continental Europe received the impulses leading to its own industrial revolution more than a century ago. Today Japan is industrialising its neighbours, though having to contend in the process with keen US competition.

To many of the Far Eastern and South-East Asian countries, Japan supplies rather more than half of their industrial equipment which predominates among total imports of these, as of all developing countries. These shipments are being accompanied by multifarious indirect influences. It also supplies a great deal of the funds needed for financing these exports, through credits and through taking up share capital. In 1968, two thirds of Japanese development aid (or what is called to be "aid") were borne by private enterprise, mostly in the form of export credits⁹. After the United States, Japan is also the biggest contributor to the funds of the Asian Development Bank (ADB), which is promoting Asian industrialisation. In some cases Japan was forced to make reparation for war damage it had caused, in other cases the country voluntarily offered reparations. In Burma, Indonesia, the Philippines, South Vietnam, Cambodia, and Laos, it used this opportunity mainly to supply infrastructure equipment and to carry out model projects in this field of endeavour. Technical aid supplied to Asian countries by Japan, according to the unanimous verdict of all who are in the know, has an excellent reputation. Japan is training on its own territory many apprentices and students from all over Asia.

Foreign Competition Induced

We already notice one significant and—for the promotion of economic growth—highly desirable effect of such developments: the Japanese "pioneer"

of growth (in the sense in which Schumpeter spoke of pioneering efforts) are already feeling the distinct impact of their "imitators" competition, not only in textiles which, as experience shows, are exposed especially early and quickly to competitive pressures from nations starting up new production. Hong Kong, Taiwan, Malaysia, and South Korea have been attracting industries which, a short time ago, were economic sectors in which Japan still had a monopoly of leadership, among them the manufacture of plastic articles, the making of motor cars and automotive spare parts, engineering, clock and watch making, and electronics. In 1968, Hong Kong produced already 16 mn transistorised appliances, equivalent to two thirds of Japanese exports of transistor equipment in the same year¹⁰.

In a way, Japanese companies are anticipating this effect of foreign competition in a highly desirable manner, by taking up an interest in the foreign competitors' businesses, mainly by forming partnerships, since it would be futile of them to attempt to suppress such rivalry. Most of these partnerships have been entered into in Taiwan, South Korea, and Malaysia. A recent example for this is the following: Japanese funds are used, jointly with Japanese technological knowhow, for acquiring part of the share capital in Taiwanese manufacture of motor cars and commercial vehicles¹¹.

And this is not even all: it must not be overlooked that also European and, even more so, US capital is being exported to the Japanese growth centre. The Japanese resist this influx and admit it to their country only hesitantly¹², but it must be emphasised that such capital inflow into a centre of growth contributes to development finance of the entire region indirectly and is in complete

¹⁰ Cf. OAV, Ländernachrichten No. 25/69 of Sep. 28, 1969, p. 4.

¹¹ Cf. OAV, Ländernachrichten No. 8/69 of March 19, 1969, p. 6.

¹² Cf. P. Janocha, Die Liberalisierung der Kapitalimporte in Japan. In: Weltwirtschaftliches Archiv (Tübingen), Vol. 102 (1969), part 2, p. 282 seqq.

⁹ Cf. OAV, Ländernachrichten No. 21/69 of Aug. 20, 1969, p. 2.

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conformity with the forces of the market. It is conceivable that new centres of growth might be successfully created, playing their own part for the region in attracting capital fleeing from the entire area. It is well known that talk about revaluing the Japanese Yen has been rife for some time. The important investments which the US have been sinking into manufacturing industries in the Far East and in South-East Asia may well have been partly due to the attractions of the climate of general growth prevailing in the region, which has no doubt been induced by Japan's buoyant prosperity. This is a case of what H. Körner has described as "psychological polarisation"¹³.

More Centres of International Growth

In summing up, I should like to deal exclusively with a question to which the Japanese experience supplies only an indirect answer. If at all, is it possible, and where would it be possible, for big centres of industry to arise in the developing regions of the world? We believe to be justified in making the following assertion: new potential industrialised areas suited to form fully integrated centres of economic gravity with all the breadth and depth of modern industrial life can only arise on territories whose population is not only numerous but spread not too thinly on the ground, no matter, whether such agglomerations occur within one national frontier, or across several such boundary lines. How can we prove, if not the truth, then the high probability of such an assertion? In the first instance, all outward appearances speak for it: not only existing industrial conurbations in Western Europe, the US, the Soviet Union, and Japan but everywhere in developing areas where certain countries display the beginnings of industrial spread in depth and width — in Red China, India, Brazil, and Mexico, industrial agglomerations are virtually identical with the centres of highest population density.

Why should this be so? Industrial development in great breadth, showing intensive interindustry connections, will grow most easily in areas with a big and densely settled population. In such areas, both production and demand are high, and high demand, especially in countries where advanced methods of pump-priming and anti-cyclical policies are available, means that a big share of total regional output will be both manufactured and consumed (or invested) in the same region. In the US as well as in Western Europe about 95 p.c. of total regional production is absorbed within the same region. The psychological advantage of relative security of both supply and demand (which guarantees outlets for manufacturers) in the producers' neighbourhood is immeasurable especially for the complex and highly sensitive ma-

chinery of interindustrial production. Thus, a modern European car manufacturer will depend upon, and he employs, between 10,000 and 15,000 suppliers and sub-contractors, and these again are dependent, to a greater or lesser degree, on other manufacturers and industrialists for their supplies.

However the most decisive factor is probably the close proximity of producers living shoulder by shoulder, which makes for high efficiency, on the one hand, through the force of actual or feared competition, and on the other hand, through the cheapness and brevity of channels of transport and communication. These are an essential part of the advantages of economic agglomeration, as described by A. Weber¹⁴. Jürgensen calls this "internal core trade"¹⁵ — e.g. exchanges of goods and services between the major industrial countries of Western Europe, a large part of which consists of buying and delivering basestocks and intermediate products or sub-assemblies, which makes it a sort of enormously enlarged system of deliveries within a single industrial group.

Delimitation of Regions for Economic Integration

On the other hand, many less developed countries are thinly populated, and their population totals are low and spread over vast empty spaces. To attempt to integrate such countries in a single community of manufacturing and marketing (be they, for example, the 318 mn African people) would lead to the hoped-for economies of scale arising out of industrial mass production being swallowed up, or even outgrown, by enormously increased costs of transport and communication. The powerful flow of trade which has hitherto made up so-called "internal core trade" would have to be divided up into much longer and endlessly diversified rivulets of trade. Even with a well-developed network of transport, this would make production and distribution much more expensive. This is probably the main "built in" weakness of many projects to integrate developing countries, for example, in the case of the Latin American Common Market project.

All this leads to the conclusion that any first step of a development strategy paying heed to regional requirements must be the delimitation of regions for economic integration, within which the areas with a numerous and densely settled population could play the parts of new industrial centres, or would even be compelled to do so under the protection of formal institutions. That this need not necessarily be to the disadvantage of the peripheral areas can be seen from the example of Australia, to whose great benefit the new industrial centre of Japan has hitherto operated.

¹⁴ Cf. W. Isard, *Location and Space Economy*, Cambridge (Mass.), 1962/3, p. 172 seqq.

¹⁵ H. Jürgensen, *Die Westeuropäische Montanindustrie und ihr gemeinsamer Markt*, Göttingen 1955, p. 54.

¹³ H. Körner, *op. cit.*, p. 689.