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JAPANESE DIRECT INVESTMENT IN SELECTED ASEAN COUNTRIES
AND ITS IMPACT ON MIGRATION

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SUMMARY

The drastic yen appreciation in 1985 and continuing trade friction have led Japanese firms to shift their production base from Japan to ASEAN countries where labour is abundant and more low-cost. Japanese direct investment in ASEAN countries increased considerably from $935 million in 1985 to $4684 million in 1989. The government of these countries have adopted economic policies to encourage Japanese direct investment, especially in the manufacturing industry. As manufacturing is relatively more labour intensive, employment creation has been quite remarkable.

According to the author’s estimate, employees of Japanese affiliates in Asia will increase by at least half a million from 1989 to 2000; the actual figure will likely be higher. If indirect employment effects are also considered, the total employment impact of additional Japanese direct investment may bring an employment increase of 0.75 million from 1989 to 2000. The growth in demand for labour is expected to lag that of labour supply in Indonesia, Malaysia, the Philippines and Thailand, now and in the future. The labour intensive manufacturing industries are expected to absorb a part of the additional labour force although the share of employment in the manufacturing sector is still relatively small.

As regards international co-operation, Japan has introduced a new "Asian Industrial Development" (AID) plan. Its purpose is the promotion of comprehensive economic co-operation adapted to the current situation of each country through support for the development of export industries which mainly consist of private firms. As for Japanese Official Development Assistance, the lion’s share is comprised of economic infrastructure and services. Official technology co-operation also exists in the form of bilateral agreements as well as official and private international traineeships.

In conclusion, the author shows that the development of labour intensive manufacturing industry will be indispensable for absorbing some of the increase in the labour force in Indonesia, Malaysia, the Philippines and Thailand in the future. Japanese direct investment and this government’s new AID plan may contribute to the development of manufacturing industry and, in turn, may help improve domestic labour market situations, thus reducing the incentive for workers to migrate overseas.
Introduction

When developed countries receive migrant workers from developing countries, the incomes of these migrant workers will rise. This, in turn, will increase the national income in these migrants’ home countries and in general have a positive impact on the economic development in those countries sending migrant workers. However, international capital movement will have the same positive impact as international labour migration on the economic development of developing countries. Rarnaswami (1968) has shown that, in theory, to maximize the per capita income of its population, a poor country’s first-best policy is optimal taxation on the earnings of imported capital, and its second best policy is optimal restriction on emigration. In addition, Bhagwati and Srinivasan (1983), in more strict terms, showed that international capital movement is superior to international labour migration in ensuring the welfare of the country sending migrant workers.

It is well documented that an export-oriented strategy is better for economic development than an inward-oriented one. For example, Sachs (1985) explained that the better macro-economic performance of East Asia, compared with Latin America, is a consequence of these countries’ export-promotion strategies, or outward-looking development strategies. Furthermore, the World Bank (1987) has shown that those countries which implemented outward-looking development strategies had better economic performances than those using inward-looking development strategies, that is, import substitution strategies. James, Naya, and Meier (1989) indicated that foreign direct investment (FDI) is an important element in outward-looking development strategies in Asia 1. Therefore, in the long run, promotion of economic development through FDI is indispensable in alleviating the labour emigration pressure of developing countries.

The objective of this paper is to elucidate some of the links between Japanese direct investment (JDI), domestic labour markets, and international labour migration in ASEAN (Association of Southeast Asian Nations, Brunai, Indonesia, Malaysia, the Philippines, Singapore and Thailand) countries. It should be noted, however, that the methodology used in this paper does not pretend to be infallible and that the paper contains elements of subjectivity.

Japanese Direct Investment (JDI) in ASEAN Countries2

(Japanese Firms’ Intra-firm and International Division of Labour)

The sudden appreciation of the yen in 1985 and continuing trade friction
between Japan and its trade partners motivated Japanese firms to shift their production base from Japan to other parts of the world such as North America, Europe, and Asian countries. Asian NIEs (New Industrialised Economies, Hong Kong, Republic of Korea, Singapore and Taiwan) and ASEAN countries became the major recipients of JDI in Asia. The appreciation of the yen widened the differentials in production costs of manufacturing industries between Japan and these Asian countries, and Japanese manufacturing firms thus attempted to keep their products competitive in the international markets by establishing their production base in these Asian countries and promoting an intra-firm division of labour. As ASEAN countries have a relatively plentiful labour supply, compared with Japan, JDI in ASEAN countries naturally took advantage of this low-cost abundant labour. Urata (1991) has shown that the globalisation of Japanese direct investment led to a flow of JDI into Asia, thereby increasing efficiency through intra-industry trade and economies of scale through specialisation within the multinational firms.3

The motives behind Japanese direct investment in ASEAN countries are demonstrated by various surveys in Japan. For example, the ASEAN Centre (1990) shows that Japanese direct investment in ASEAN countries is motivated most strongly by the desire to "make use of low labour costs" available in these countries, that is, by 61.2 per cent of the companies already investing abroad and 58.8 per cent of the companies planning to/interested in overseas investment. It should be noted that 36.9 per cent of companies planning to/interested in overseas investment are motivated to invest in ASEAN countries by the desire to "export to Japan". Tejixna (1992) also states that, in dealing with the domestic labour shortage and trade friction, Japanese firms took advantage of the yen appreciation and have invested in Asia. Thus, JDI is motivated by the desire of Japanese firms to establish production networks in Asia, to export their products to the United States and Europe and to provide their products and intermediate products to Japanese and Asia-Pacific markets. Tejima, Kaburagi, Yasaka, and Iwai (1993) report that, while "development of the local market" is the strongest motivation (43.3 per cent) behind Japanese direct investment in ASEAN countries, "low labour cost" is the second strongest motivating force (26 per cent). These reports indicate that "low labour costs" still remain a very strong reason for these investments in Asia, including ASEAN countries.

(Changing Patterns of Japanese Direct Investment by Region and Industry)

As mentioned above, the sudden yen appreciation in the fall of 1985 made Japanese multinationals change their strategies, and Japanese direct investment registered a sharp increase in the ASEAN countries. Japanese direct investment amounted to $12.22 billion in 1985 and $67.54 billion in the peak year of 1989. Within the total, the share of JDI in Asia declined from 36 per cent in 1975 to 11.7 per cent in 1986 and rose again to 15.9 per cent in 1989. Increases were concentrated in North America (from 28 per cent in 1975 to 50.1 per cent in 1989) and in Europe (from 10 per cent in 1975 to 21.9 per cent in 1989). However, there have also been considerable increases in JDI in ASEAN countries in recent years. In concrete terms, Japanese direct investment in ASEAN countries increased from $935 million in 1985 to $4684 million in 1989. The cumulative JDI in Asia and ASEAN from 1951 to 1991 amounted to $53.5 billion and $3 1.1 billion, respectively, which accounted for 15.2 per cent and 8.8 per cent of Japanese global investment.
Manufacturing investments accounted for a relatively small portion of JDI, that is, 26.7 per cent of the cumulative total from 1951 through 1991. However, Asia accounted for 40.4 per cent of these investments, which is, from a global perspective, very high. The same pattern can be observed in the allocation of JDI by small and medium-sized manufacturing enterprises, namely, their share of JDI in Asia was 61.9 per cent and in ASEAN countries 37.2 per cent in 1990. Manufacturing investments in Thailand and Malaysia were 13.4 per cent and 12.6 per cent in 1990, respectively. These figures indicate that Japanese direct investment in Asia and ASEAN is more concentrated in manufacturing industry than it is in other regions. The rapid increase in JDI in Asia from 1986 to 1989 was led by the electrical industry, ferrous and nonferrous metals, and transport machinery. Japanese direct investment in these manufacturing industries differs from the previous JDI in the sense that these industries are motivated to invest in this region because of its emphasis on export orientation. It should be noted that the governments of ASEAN countries have adopted relatively outward-looking economic policies, which has encouraged the flow of foreign direct investment to this region.

(Employment Creation by Japanese Direct Investment)

Employment by all foreign affiliates of all Japanese firms is increasing less rapidly than their capital stock. According to Table 1, the employment provided by JDI in the world amounted to 1.550 million in 1990, and the average annual percentage increase in employment by JDI in the world was 13.9 per cent during the period between 1986 and 1990. These are, however, conservative estimates and actual employment by JDI in the world most likely exceeded 1.550 million in 1990. The figure in Asia may be more than 0.676 million. The ratio between employment through JDI in Asia over that in the world was 49.5 per cent in 1988, which is much larger than that for capital stock. The capital stock ratio in Asia was 29.5 per cent in 1988.

The reason why Asian and ASEAN countries’ share of total employment of JDI is relatively larger than that of capital is that some manufacturing industries, which are more labour intensive than non-manufacturing industries, are more important recipients of Japanese direct investment in Asia and ASEAN countries than in the rest of the world. For example, according to Table 1, manufacturing industry’s shares of total employment in the world, Asia, and ASEAN-4 are 80.1 per cent, 87.9 per cent, and 88.6 per cent, respectively. Textiles and apparel, electric machinery, and transport machinery are the three major industries in ASEAN-4 that create the most employment opportunities among various manufacturing and non-manufacturing industries.

The question then becomes, how much can Japanese direct investment contribute to employment creation in Asia in the future, say, the year 2000? If we use the actual data for the cumulative total of investment by JDI in real terms and the adjusted number of employees of Japanese affiliates in Asia and regress the latter variable with the first variable, we will get the following simple regression equation:

\[ Y = 7.6605 + 0.58248 X \]

\[ R^2 = 0.93 \]
\[ DF = 7 \]
\[ DW = 1.5 \]
\[ F = 107.86 \]

(14.903) (10.386)
where $Y$ stands for the logarithm of the number of employees in Japanese affiliates, $X$ for the logarithm of the cumulative total of investment by JDI in real terms, for the period from 1980 to 1988. Using the above equation and conservative assumptions, we will get about 1.08 million as a rough estimate of the number of employees in Japanese affiliates in Asia in the year 2000. This means that employees of Japanese affiliates will increase by at least half a million from 1989 to 2000 and that this increase will most likely be higher than half a million during that period.

The above-mentioned figure is only the direct effect of JDI on employment in host countries in Asia. According to the ILO (1981), the indirect employment effects of foreign direct investment were 63 per cent of the direct effect of FDI in Thailand, using the 1975 Input-Output Table. Of course, this indirect employment effect by FDI may differ, depending on host country, the time, structure of industry, etc. We may, however, safely say that the indirect employment effect of FDI is significant. Suppose that the indirect employment effect of JDI in Asia is half of that direct effect. Then, the sum of direct and indirect employment effect of additional JDI in Asia may bring a three-quarters of a million increase in employment from 1989 to 2000.

### Domestic Labour Markets in ASEAN-4 Countries and International Labour Migration

#### (Domestic Labour Markets in ASEAN-4 Countries)

When we discuss the labour market, we should examine both demand and supply of labour in each labour market. We shall examine the supply of labour first. The factors which affect the supply of labour include population size, labour force participation rates, and so on. According to Table 2, the size of the population of Indonesia, Malaysia, the Philippines, and Thailand was 178.2, 17.9, 61.5, and 55.8 million in the mid-1990s, respectively. That is, in terms of the size of population, Indonesia is a large country, and Malaysia is a rather small country, compared with the Philippines and Thailand.

The labour force participation rates of Indonesia, Malaysia, the Philippines, and Thailand are 66.1, 59.6, 63.1, and 81.7 per cent, respectively. The labour force participation rate in Thailand is much higher than that in the other three countries, because the rate of female participation is much higher. Furthermore, the rate of male participation is also higher than in other ASEAN-4 countries. Agriculture is still dominant, in terms of labour force, in Thailand, where most able-bodied people of working age are counted as employed, though many of them may be unpaid family workers. According to Table 2, the average annual growth rates of population in all ASEAN-4 from 1965-80 to 1980-90 declined and some are even below 2 per cent in 1980. The labour force, however, is still increasing in all ASEAN-4 countries, because the population growth in the 1960s and 1970s contributes to the current increases in the labour force.

Next, we shall examine the number of employed people vis-a-vis the demand for labour in ASEAN-4 countries. The average annual growth rates of employment exceed the average annual growth of population in all ASEAN-4. This does not imply, however, that the demand for labour is expanding faster than the supply of labour in ASEAN-4. If we take the increases in labour force participation rates into consideration, the expansion of demand for labour has
lagged behind the supply of labour in ASEAN-4 in the 1980s. The following is a brief description of the domestic labour market of each ASEAN-4 country.

It should be noted that, in the 1980s, domestic manufacturing industry grew very rapidly in Indonesia, while the output of oil and natural gas declined. The liberalisation of the financial sector also contributed to the promotion of the banking and finance industry. It is with change in economic structure in mind that we examine the labour market in Indonesia.

Population growth was one of the most serious problems confronting the country, but the general opinion is that the government has been successful in controlling population growth through the family planning programme, as can be seen in the population growth rate in Table 2. As stated above, however, the labour force has and is expected to grow faster than the population. Although manufacturing industry has grown rapidly, the share of persons employed by that industry was only 10 per cent in 1989. Thus, if the agricultural sector fails to absorb the increase in the labour supply, manufacturing industry, especially labour intensive sectors, must expand much more rapidly to absorb the increase in the labour force.

In the case of Malaysia, the labour force participation rates of all age groups except the group aged 60 and above are increasing. In particular, the rate of young females has increased significantly. In the second half of the 1980s, while the share of GDP in manufacturing industry exceeded that of agriculture, the share of employed persons in the manufacturing industry was more than double that of agriculture. This evidence indicates that Malaysia is transforming its own economy from one based on agriculture to one based on manufacturing and service industries.

This change brought about a reduction in the unemployment rate from 9.1 per cent (1987) to 6.0 per cent (1990). The problem is that, as manufacturing industry expands its output, the demand for professionals and engineers rests much faster than for other occupations, thus causing a labour shortage of professionals and engineers. Fortunately, this shortage is gradually being alleviated.

Population growth is also a serious problem in the Philippines. The population in the Philippines was 61.5 million in 1990 and is expected to exceed 70 million before the year 2000, even if we use a moderate estimate. This means that both the population aged 15 and above and the labour force are most likely to expand significantly, and some estimate the average annual growth rate of the labour force (1990-2000) to be about 3 per cent. If so, the labour force may increase by over a million each year on average. Job opportunities for this increase in the labour force must be created, otherwise, the high unemployment rate -- 9.3 per cent in 1990 -- may become worse. It is often pointed out that, in the Philippines, the high level of protection against imports and the over-valued peso brought a bias towards capital-intensive industries, which became an obstacle for the promotion of labour intensive industries based on lower cost Philippine labour. As a result, the growth of the manufacturing industry failed to absorb the increase in labour force in the Philippines.

In the case of Thailand, the share of people employed in the agricultural sector has been declining but was still at 66.4 per cent in 1988.
The expansion of job opportunities in agriculture is not promising in Thailand. On the other hand, the share of labour employed in manufacturing industry is expanding but was still 8.1 per cent in 1988. Thus, further expansion of manufacturing industry is strongly desired, in order to create a faster expansion in demand than in the supply of labour in the aggregate. Thailand suffers the same problem as Malaysia, that is, the serious shortage of professionals and engineers.

(Patterns of Domestic Labour Migration)

As for Indonesia, it is well-known that Java is very heavily populated, with a high concentration in large metropolitan areas. On the other hand, population density is much lower in Sumatra. The share of urban population in Sumatra is only 20 per cent of its 1.5 million population. Considering this situation, the Indonesian government started a transmigration programme early in the 1950s. The emigrants from Java have been dominant over immigrants, and the increase in emigrants has been much larger than the increase in immigrants. In turn, net emigration from Java has increased rapidly, not only because of the transmigration programme, but also due to voluntary emigration. The share of population in Java declined from 66.8 per cent in 1971 to 60 per cent in 1990, while the capital city of Jakarta and urban areas of West Java have had net immigration, because these two provinces are the main destination of the immigrants from outside Java. It should be noted, however, that the share of urban population is continually increasing and that there is a large population in the informal sectors of large metropolitan areas.

Domestic migration in Malaysia shows some predominant features. First, both intra-state and inter-state migration increased from 1970 to 1980. There was, however, a general decline in intra-state migration in the early 1980s, whereas inter-state migration continued to increase. The possible explanation for this phenomenon is that, at that time, Malaysia was in recession, and people migrated to other states which were more distant but had better job opportunities. A second feature is that, although there are some exceptional cases, both short-term and long-term inter-state migration show that Kuala Lumpur, Selangor, Pahang, and Sabah have net immigration, while Perak, Malacca, Kelantan, Negri Sembilan have net emigration. Kuala Lumpur and Selangor, with more industrialized urban areas, receive immigrants from other neighbouring states in the western part of Peninsular Malaysia, where regional economic development is progressing. Pahang, where a government rural development plan is in force, receives migrants from the states in the eastern part of Peninsular Malaysia, where economic development is lagging. A third feature is that much of the migration is from contiguous states. That is, distance is an important factor determining the size of inter-state migration. For example, two-thirds of Selangor’s immigrants were from the neighbouring states of Perak, Kuala Lumpur, Malacca and Negri Sembilan.

It is often pointed out that rural-urban labour migration constitutes the typical domestic movement in the Philippines. It should be noted, however, that rural-rural labour migration exists to a large extent. Rural-urban labour migration, especially towards Manila, is large. Although some rural-urban migrants may be seasonal, most are moving steadily to the urban areas. The majority of rural-urban migrants are farmers without land and belong to households below the poverty line. They have difficulties in finding jobs in the formal sector and have little choice but to remain in slums and work in the
informal sector. They are the people who are ready to work overseas. The rural-rural migration takes place during the dry season when agricultural work is not possible. Since, in the Philippines, the dry season does not necessarily come to all areas at the same time, those who cannot work during the dry season move to other rural areas where it is not dry season. Consequently, there are large pockets of seasonal unemployed in the rural areas.

In Thailand, the major inter-provincial migrations are divided into two flows: one from the provinces to Bangkok and one between other provinces. While the latter inter-provincial migration has been declining since the second half of the 1970s, immigrants to the capital city of Bangkok and the surrounding provinces are increasing. The purpose of migrating towards the Bangkok area is mainly the quest for job opportunities. The trend of migration towards the Bangkok area was determined mainly by seasonal variation between 1973 and 1985, when the Thai economy depended mainly on agriculture. This trend changed in the 1980s, because of the changing economic structure, in which the role of agriculture has been declining. That is, immigrants from rural areas tend to move towards the Bangkok area at a steadily increasing rate. Those immigrants, pushed by economic considerations, tend to be single young males and females ranging in age from 20-24.

Patterns of International Labour Migration

According to Table 3, the annual number of emigrant workers from Indonesia increased dramatically in the 1980s, and the share of emigrant workers to the Middle East, especially to Saudi Arabia, more than doubled. The other major countries receiving migrant workers from Indonesia are Malaysia and Singapore. There are three possible reasons why the shares of emigrant workers from Indonesia to Saudi Arabia, Malaysia, and Singapore are dominant. One reason is that both Saudi Arabia and Malaysia are Moslem countries, like Indonesia. The second possible reason is that both Malaysia and Singapore are neighbouring countries of Indonesia. The majority of the emigrant workers from Indonesia are either female domestic servants or male chauffeurs, not workers in manufacturing industry. The third possible reason is that there is not much difference between Malay and Indonesian languages.

Malaysia has a unique feature in terms of international migration, in that it is both a receiving and a sending country at the same time. According to the official figures given by the Ministry of Labour, Manpower Department, the number of immigrant foreign workers in Malaysia is half a million, and the number of Malaysian emigrant workers is 200,000. Since the early 1980s, rapid industrialisation has taken place. In this situation, skilled workers in urban areas migrated to work in Singapore, in order to obtain higher wages and better working conditions. After that, workers in rural areas migrated to urban areas, to take the jobs skilled emigrant workers had left behind. For example, in recent years, we have observed a significant number of migrant workers from the northern Malaysian states going to Johor. In addition, foreign migrant labourers started to work in the local agricultural plantation sector and were employed in the urban services industries as refuse collectors and domestic servants, jobs that local Malaysians shun.

The annual number of migrant workers leaving the Philippines has considerably increased since 1975, reaching about half a million in 1987. This
figure is much larger than that of the other ASEAN-4. According to Table 3, the share of emigrant workers to the Middle-East, while below that going to Indonesia and Thailand, is still over a half. The share going to the Middle East is continually declining, while the share of emigrants to Asia is increasing. The majority of emigrant workers to the Middle East are males, while about 90 per cent of those going to Asia are females who tend to work as domestic servants and entertainers. The female emigrant workers to Asia are more likely to be younger and better educated than the male emigrant workers to the Middle-East.

The annual number of emigrant workers from Thailand increased by about 135 per cent from 1979 to 1980 and, according to Table 3, increased very much after 1981 and 1982. These dramatic increases were due to changes in numbers of emigrant workers going to the Middle East, especially, Saudi Arabia. Although the share of emigrant workers towards the Middle East is still very high, it has been gradually declining. About nine out of ten emigrant workers are unskilled labourers, and the majority of them are males. The share of emigrant workers aged 35 and below is about 70 per cent, and many of them come from rural areas.

It should be noted that the above passages are based on recorded migrant workers, and do not include illegal migrant workers. We should keep in mind that there are a significant number of illegal emigrant workers in the ASEAN-4, who may have different patterns from those of recorded migrant workers.

(The Relationship between Foreign Direct Investment and Domestic Labour Markets)

As seen above, growth in labour demand is expected to be behind that of the labour supply in all ASEAN-4 countries now and in the future. Although the agricultural sector is absorbing a large number of workers to varying degrees throughout the ASEAN-4 countries, the capacity to absorb additional labour in this sector is unlikely to undergo rapid expansion. It is the labour intensive manufacturing industries that are expected to absorb the additional labour force, in addition to the service industries. As stated above, however, the shares of employment in manufacturing industry in Indonesia (9.7 per cent in 1989) Malaysia, (16.0 per cent in 1988), the Philippines, (8.9 per cent in 1990), and Thailand (8.1 per cent in 1988) remain low. On the other hand, the shares of employment by JDI in Indonesia, Malaysia, the Philippines, and Thailand are even lower, namely, 0.09 per cent, 1.18 per cent, 0.15 per cent, and 0.34 per cent in 1988, respectively. However, the shares of employment only by JDI in manufacturing industries of these ASEAN-4 are 0.95 per cent, 6.61 per cent, 1.07 per cent, and 3.54 per cent in 1988, respectively. These figures indicate that JDI alone may contribute to the development of manufacturing industries in ASEAN-4 to some extent. In turn, if we take all foreign direct investment from the United States, the EC, and other countries into consideration, FDI may contribute to the improvement of the labour market situation by absorbing additional labour through the development of labour intensive manufacturing industries in ASEAN-4. The above arguments are related to the direct employment effect of FDI. It should be noted that the indirect employment effect of FDI through input-output linkages is also important.
According to the fifth 5-year Plan of Indonesia (1989/90-1994/95), the Indonesian government plans to send half a million migrant workers abroad during the fifth 5-year Plan period. The number of emigrant workers will continuously increase during the Plan period. The share of informal sector emigrant workers (domestic servants and chauffeurs) is higher than that of the formal sector, but, according to the Plan, the share in the informal sector will decline (61 per cent in 1989/90 and 46 per cent in 1994/95). Furthermore, the planned female share of emigrant workers is set at 73 per cent in 1989/90 and 66 per cent in 1994/95. These figures indicate that the majority of emigrant workers are females who will work in the informal sector. According to the Plan, the labour force is expected to increase at a 3 per cent annual growth rate and will increase by 1.9 million during this Plan period. Since the anticipated number of emigrant workers during the same period is only half a million, the Indonesian government expects that the increase in domestic demand for labour will absorb the remaining increase in the labour supply during this period. Although the unemployment rate of Indonesia is 3.1 per cent (1989), the migrant workers still continue to flow into urban areas, such as the capital city of Jakarta, where the informal sector is said to be expanding. This implies that there is an abundant potential supply of international emigrant workers in Indonesia.

As economic development proceeds in Malaysia, surplus demand for labour in the agricultural sector is generated, while an excess supply of youth labour is also created in manufacturing industry. Unemployment of this young labour is becoming serious, as the 6 per cent unemployment rate in Malaysia is considered to be high among ASEAN-4 countries, except for the Philippines. This labour market situation gives Malaysians the incentive to migrate to foreign countries such as Singapore and provides the agricultural plantation sector with an incentive to hire foreign immigrant workers.

The Philippine economy was not doing badly in the 1960s and the 1970s, compared with the average of developing economies in the world. The real wages of unskilled labour declined from 1972 to 1980, the reduction exceeding that in real wages for skilled labour. Furthermore, income distribution worsened during this period. The Philippines was faced with an economic crisis in the first half of the 1980s. Although the economy recovered somewhat in the second half of the 1980s, the economic situation does not give hope for much improvement in the labour market situation. The unemployment rate was still as high as 9.3 per cent in 1990. In addition, a significant amount of labour is said to be under-employed in the Philippines. This unsatisfactory labour market situation is an incentive for Philippine workers to migrate abroad to work.

Although Thailand achieved rapid economic development in the second half of the 1980s, a large share of employment remained in the agricultural sector. In other words, the manufacturing sector has not so far absorbed a significant growing labour force. Industrialisation in the Bangkok area has increased the income differential between this and other areas, which has, in turn, led people to migrate from rural areas to the Bangkok area, in search of higher wages. These people comprise the so-called informal sector of migrant workers.
in the Middle East. The main occupation of these migrants prior to emigration is said to be farming. This indicates that some of the rural-urban migrant workers are actually migrating to other countries to work. If the manufacturing sector develops rapidly enough to absorb the growing labour force, this may help alleviate emigration pressure in Thailand.

Japanese International Co-operation and Economic Development of ASEAN Countries

(Japanese New "Asian Industrial Development (AID)" Plan)

The new AID Plan, which was officially announced in 1987, has been promoted by the Japanese Ministry of International Trade and Industry (MITI). Its purpose is to promote comprehensive economic co-operation, adapted to the current situation of each country, through support for the development of export industries which mainly consist of private firms. "Comprehensive economic co-operation" means that the Plan takes all official development assistance (ODA), foreign direct investment, and international trade into consideration.

This Plan supposes that each planning country makes its own efforts to improve the investment environment for FDI. The plan links Japanese private co-operation, such as JDI and Japanese imports, and Japanese official development assistance, with funding for hardware and software for preparing the infrastructure for industries including FDI. To put it concretely, in close consultation with the planning country, various types of economic co-operation are being systematically used to support the development of promising industries, human resource development, building of export processing zones, etc., with the above private co-operation.

The new AID plan consists of three phases. The first phase is to construct the comprehensive master plan, consulting the planning country for the selection of promising industries. The second phase is to construct development plans for selected promising industries, to construct particular industrial zones, and for the Japanese government to receive a planning country’s demand for economic co-operation. The third phase is to implement the economic co-operation through human resource development, funding, import promotion by Japan, and preparation of industrial zones. This new AID plan has been applied to various Asian countries including Indonesia, Malaysia, the Philippines, and Thailand.

(Technical Co-operation)

Japanese official technical co-operation through official bilateral agreements and arrangements, etc. is mainly provided by the Japanese International Co-operation Association (JICA). Japanese official technical co-operation consists of inviting trainees, sending professionals and experts, providing materials, machinery and project-type technical co-operation which include the above three items, etc. The size of Japanese official technical co-operation is increasing, but as a percentage of total Japanese ODA is still 12.7 per cent (1989) and much lower than the average of DAC countries (22.0 per cent).
The unique feature of Japanese ODA is its high share of official aid given for economic infrastructure and services. For example, these shares in 1987, 1988, and 1989 were 49.2 per cent, 39.4 per cent and 31.7 per cent, respectively. The shares of the United States, United Kingdom, France, West Germany, and Italy in 1988 were 3.0 per cent, 24.1 per cent, 21.2 per cent, 25.8 per cent, and 32.1 per cent, respectively. Japanese economic co-operation with ASEAN countries puts more emphasis on economic infrastructure and services, especially, transportation and energy. The share of official aid Japan devotes to economic infrastructure and services is declining due to the increase in urgent needs for programme aid and the fact that some Asian countries, including ASEAN countries, can support the development of their own industries.

The total number of official and private international trainees through major receiving institutions was 5,794 in 1980 and, ten years later, was 11,953, making a cumulative total of 156,059 at the end of 1990. The official percentage of the total is about 70 per cent, mainly coming through Japan International Co-operation Agency (JICA). In fiscal year 1990, 65.7 per cent of trainees were from Asia, in particular, the percentage of trainees from Thailand, Indonesia, Malaysia, the Philippines, and China was high (11.0 per cent, 10.3 per cent, 7.8 per cent, 6.7 per cent, and 10.2 per cent respectively in 1990). The numbers of foreigners who entered into Japan for the purpose of training in 1990 and 1991 were about 38 and 44 thousand, respectively. The percentages of the above foreigners from East Asia in 1990 and 1991 were above 75 per cent and 81 per cent respectively. These figures indicate that international traineeship is considered an important element of international co-operation in Japan and that Japanese international traineeship favour trainees from East Asian Countries.

According to Table 2, the average annual growth rates of exports (1980-90) of Malaysia and Thailand were 10.3 per cent and 13.2 per cent, respectively, and the average annual growth rates of GNP (1980-90) of Malaysia and Thailand were 6.2 per cent and 7.6 per cent, respectively, although they experienced difficulties in the mid-1980s. Although the average annual growth rate of exports (1980-90) of Indonesia was only 2.8 per cent, we have to note that its manufacturing share of GDP increased sharply in the 1980s, as did its manufacturing share of exports. This evidence indicates that, as stated in the introduction, successful economic development in ASEAN-4 countries, except the Philippines, is more likely to be the consequence of their outward-looking economic policies which include the introduction of foreign direct investment and the promotion of exports. In 1987, the Japanese government started a new AID Plan to support such outward-looking economic policies in Asian countries including ASEAN-4 countries. It is hoped to extend this type of plan to developing countries in other regions.
Concluding Remarks

As noted above, it is expected that an excess supply of labour will occur and even expand in the future. Unless this excess is absorbed by some means, there will be a very large potential for emigration of workers in each country. The agricultural sector is the most important sector in terms of employment but is not expected to have the capacity to absorb the increase in the labour force. Although the share of employment in manufacturing industry is still small, the development of this industry, especially labour intensive areas, will be indispensable for absorbing some part of the increase in the labour force in the future. Japanese direct investment in ASEAN-4 countries has concentrated on manufacturing more than it has in other regions and may contribute to the development of manufacturing in ASEAN-4. The new Japanese official AID Plan supports the introduction of FDI and the promotion of exports in the ASEAN-4 countries. In this sense, Japanese direct investment and the new Japanese official AID Plan may help contribute to the development of manufacturing industry and, in turn, may help improve the domestic labour market situations in ASEAN-4 countries thus reducing the incentive for workers of ASEAN-4 countries to migrate overseas.
NOTES

* I would like to express my appreciation to Mr. Y. Iguchi of the Ministry of Labour, Professor E.D. Ramstetter of Kansai University, Mr. S. Tejima of the Export-Import Bank of Japan, and Mr. S. Itoga and Ms. Y. Okamoto of the Institute of Developing Economies, Professor Y. Takagi of the University of Osaka Prefecture for providing materials and data. Any views and errors are solely my responsibility.


2. The original data source on JDI was obtained from the Ministry of Finance (various issues), Ministry of International Trade and Industry (various issues), and Toyo Keizai (various issues).


6. See Ramstetter (1991), Table 11.

7. The assumptions made for the estimates of employees are that the annual Japanese Direct Investment in real terms will decrease by 15 per cent (90,91), 10 per cent (91), 5 per cent (93), and will increase by 5 per cent from 1994 to 2000. Estimates made by the study committee of the Japanese Ministry of Labour (Ministry of Labour --1990--), which do not take account of the recent development of JDI since 1990 into account, give another conservative estimate of the employment increase of Japanese firms’ affiliates in Asia, that is, one million.


16. The share, 12.7 per cent, does not include administrative costs. If we add these costs, that share becomes 15.7 per cent in 1989.
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Table 1. Employment by All Foreign Affiliates of All Japanese Firms  
(Thousands)

<table>
<thead>
<tr>
<th>Host Economy</th>
<th>Year</th>
<th>All Industries</th>
<th>Manufacturing</th>
<th>B/A (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>1977</td>
<td>770</td>
<td>657</td>
<td>85.3</td>
</tr>
<tr>
<td></td>
<td>1986</td>
<td>921</td>
<td>726</td>
<td>78.8</td>
</tr>
<tr>
<td></td>
<td>1988</td>
<td>1 326</td>
<td>1 053</td>
<td>79.4</td>
</tr>
<tr>
<td></td>
<td>1990</td>
<td>1 550</td>
<td>1 242</td>
<td>80.1</td>
</tr>
<tr>
<td>Asia</td>
<td>1977</td>
<td>416</td>
<td>378</td>
<td>90.9</td>
</tr>
<tr>
<td></td>
<td>1986</td>
<td>457</td>
<td>391</td>
<td>85.6</td>
</tr>
<tr>
<td></td>
<td>1988</td>
<td>657</td>
<td>583</td>
<td>88.7</td>
</tr>
<tr>
<td></td>
<td>1990</td>
<td>676</td>
<td>594</td>
<td>87.9</td>
</tr>
<tr>
<td>ASEAN-4</td>
<td>1990</td>
<td>334</td>
<td>296</td>
<td>88.6</td>
</tr>
<tr>
<td>Indonesia</td>
<td>1990</td>
<td>66</td>
<td>58</td>
<td>87.9</td>
</tr>
<tr>
<td>Malaysia</td>
<td>1990</td>
<td>101</td>
<td>95</td>
<td>94.1</td>
</tr>
<tr>
<td>Philippines</td>
<td>1990</td>
<td>42</td>
<td>33</td>
<td>78.6</td>
</tr>
<tr>
<td>Thailand</td>
<td>1990</td>
<td>126</td>
<td>110</td>
<td>88.0</td>
</tr>
</tbody>
</table>

(Source: Ministry of International Trade and Industry (various issues).
Table 2. Key Indicators of ASEAN-4

<table>
<thead>
<tr>
<th></th>
<th>Indonesia</th>
<th>Malaysia</th>
<th>Philippines</th>
<th>Thailand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population (millions, mid-90)</td>
<td>178.2</td>
<td>17.9</td>
<td>61.5</td>
<td>55.8</td>
</tr>
<tr>
<td>Average annual population growth (%) (65-80)</td>
<td>2.4</td>
<td>2.5</td>
<td>2.8</td>
<td>2.9</td>
</tr>
<tr>
<td></td>
<td>(80-90)</td>
<td>1.8</td>
<td>2.6</td>
<td>2.4</td>
</tr>
<tr>
<td></td>
<td>(89-2000)</td>
<td>1.6</td>
<td>2.3</td>
<td>1.8</td>
</tr>
<tr>
<td>Age structure (1990)</td>
<td>60.3</td>
<td>58.1</td>
<td>56.8</td>
<td>63.1</td>
</tr>
<tr>
<td></td>
<td>(2025)</td>
<td>68.3</td>
<td>67.4</td>
<td>68.4</td>
</tr>
<tr>
<td>Labour force (total) (90)</td>
<td>56.1</td>
<td>59.6</td>
<td>63.1</td>
<td>81.7</td>
</tr>
<tr>
<td>Participation rate (%)</td>
<td>81.0</td>
<td>77.1</td>
<td>81.8</td>
<td>87.4</td>
</tr>
<tr>
<td></td>
<td>(male)</td>
<td>51.7</td>
<td>42.2</td>
<td>47.5</td>
</tr>
<tr>
<td></td>
<td>(female)</td>
<td>51.7</td>
<td>42.2</td>
<td>47.5</td>
</tr>
<tr>
<td>Average annual growth of employment (%) (80-85)</td>
<td>3.9</td>
<td>3.1</td>
<td>3.8</td>
<td>2.8</td>
</tr>
<tr>
<td></td>
<td>(85-90)</td>
<td>3.9</td>
<td>3.1</td>
<td>3.8</td>
</tr>
<tr>
<td>Unemployment rate (%)</td>
<td>3.1</td>
<td>6.0</td>
<td>9.3</td>
<td>4.9</td>
</tr>
<tr>
<td>GNP per capita (Dollars, 1990)</td>
<td>570</td>
<td>2,320</td>
<td>730</td>
<td>1,420</td>
</tr>
<tr>
<td>Average annual growth rate of GNP (%) (65-80)</td>
<td>7.0</td>
<td>7.4</td>
<td>5.7</td>
<td>7.3</td>
</tr>
<tr>
<td></td>
<td>(80-90)</td>
<td>5.5</td>
<td>5.2</td>
<td>0.9</td>
</tr>
<tr>
<td>Average annual growth rate of Manufacturing (%) (65-80)</td>
<td>12.0</td>
<td>---</td>
<td>6.8</td>
<td>11.2</td>
</tr>
<tr>
<td></td>
<td>(80-90)</td>
<td>12.5</td>
<td>8.8</td>
<td>0.1</td>
</tr>
<tr>
<td>Share of manufacturing in GDP (%)</td>
<td>8</td>
<td>9</td>
<td>20</td>
<td>14</td>
</tr>
<tr>
<td>Growth rate of earning per employee (manufacturing) (%)</td>
<td>5.9</td>
<td>3.2</td>
<td>6.4</td>
<td>6.5</td>
</tr>
<tr>
<td>Average annual growth rate of export (%)</td>
<td>2.8</td>
<td>10.3</td>
<td>2.5</td>
<td>13.2</td>
</tr>
<tr>
<td>Urban population as a percentage of total population (%)</td>
<td>16</td>
<td>26</td>
<td>32</td>
<td>13</td>
</tr>
</tbody>
</table>

*The share of the economically active population in 15 years old and above population. The figures of Indonesia and Thailand are those for 1989 and 1988, respectively.

**The employment (1990) of Indonesia and Malaysia used for the calculation of growth rates are estimates, and the periods of growth rate of Philippines are 1980-85 and 1985-89.

Table 3. Annual Outflow of Migrant workers form Indonesia, the Philippines and Thailand (1980-1989)

<table>
<thead>
<tr>
<th>Year</th>
<th>Indonesia (thousands)</th>
<th>Philippines (thousands)</th>
<th>Thailand (thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>16,186 (7.1)</td>
<td>214,590 (61.5)</td>
<td>21,848 (96.6)</td>
</tr>
<tr>
<td>1981</td>
<td>17,904 (64.1)</td>
<td>266,243 (69.0)</td>
<td>26,740 (92.1)</td>
</tr>
<tr>
<td>1982</td>
<td>21,152 (45.4)</td>
<td>314,284 (67.1)</td>
<td>108,519 (97.0)</td>
</tr>
<tr>
<td>1983</td>
<td>28,957 (61.8)</td>
<td>434,207 (74.5)</td>
<td>68,482 (94.4)</td>
</tr>
<tr>
<td>1984</td>
<td>37,857 (75.8)</td>
<td>350,982 (71.2)</td>
<td>75,021 (91.3)</td>
</tr>
<tr>
<td>1985</td>
<td>56,696 (89.2)</td>
<td>372,784 (68.1)</td>
<td>69,685 (88.6)</td>
</tr>
<tr>
<td>1986</td>
<td>65,544 (64.3)</td>
<td>378,214 (62.5)</td>
<td>85,662 (86.6)</td>
</tr>
<tr>
<td>1987</td>
<td>59,362 (82.3)</td>
<td>499,271 (60.6)</td>
<td>85,512 (87.9)</td>
</tr>
<tr>
<td>1988</td>
<td>63,998 (83.1)</td>
<td>471,030 (56.7)</td>
<td>118,957 (77.2)</td>
</tr>
<tr>
<td>1989</td>
<td>458,626 (52.6)</td>
<td>125,315 (70.0)</td>
<td></td>
</tr>
</tbody>
</table>

Figures in parentheses give percentage of migrant workers to the Middle-East out of total recorded migrants to all countries.

(Source:) Amjad (1992), (On the basis of data collected by the ILO/UNDP Asian Regional Programme on International Labour Migration).