

Realizing Economic Growth in Southeast Asia: Japanese Investment in the Riau Islands

**Yasushi AKAHOSHI
Economic Minister
Embassy of Japan**

Two Perspectives

1. ASEAN as a manufacturing center
2. ASEAN as a market

1. ASEAN as a manufacturing center

1985 “Plaza
Accord”



Sharp appreciation of the
Japanese yen
(¥240/\$1 → ¥128/\$1)



Acceleration of FDI by
Japanese firms into
ASEAN



“China plus
one”

Manufacturing Platform for Developed Markets

Initial

stage

cheap cost, mainly assembly, exported to Japan and big markets (US, Europe)

Most of parts came from Japan.

Second

stage

manufacturing center, not only as low added valued process, but also high added value, especially intermediate parts.

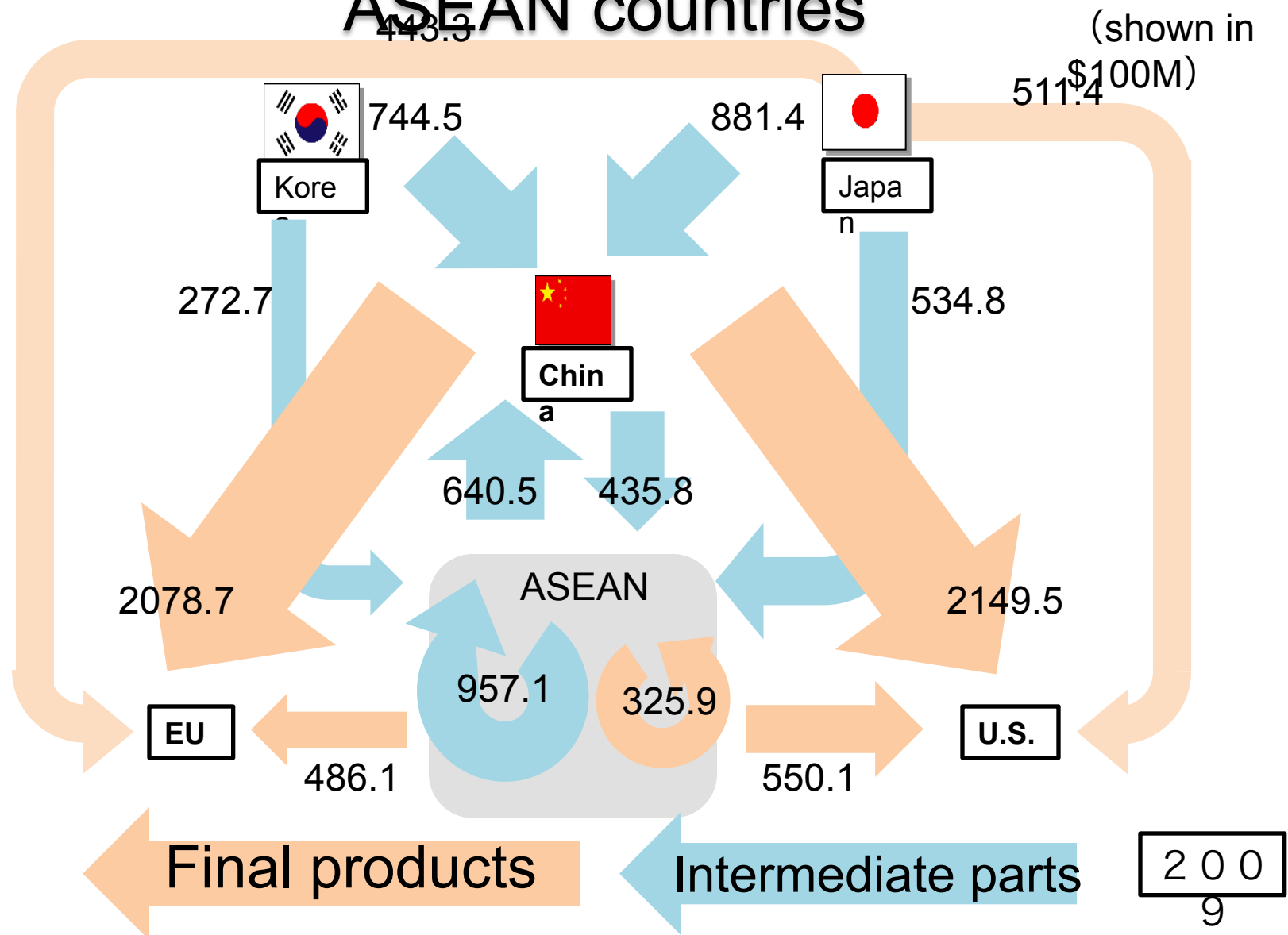
Third

stage

the age of specialization
Country A: essential parts X
Country B: essential parts Y . . .

Circulation of intermediate parts among

ASEAN countries



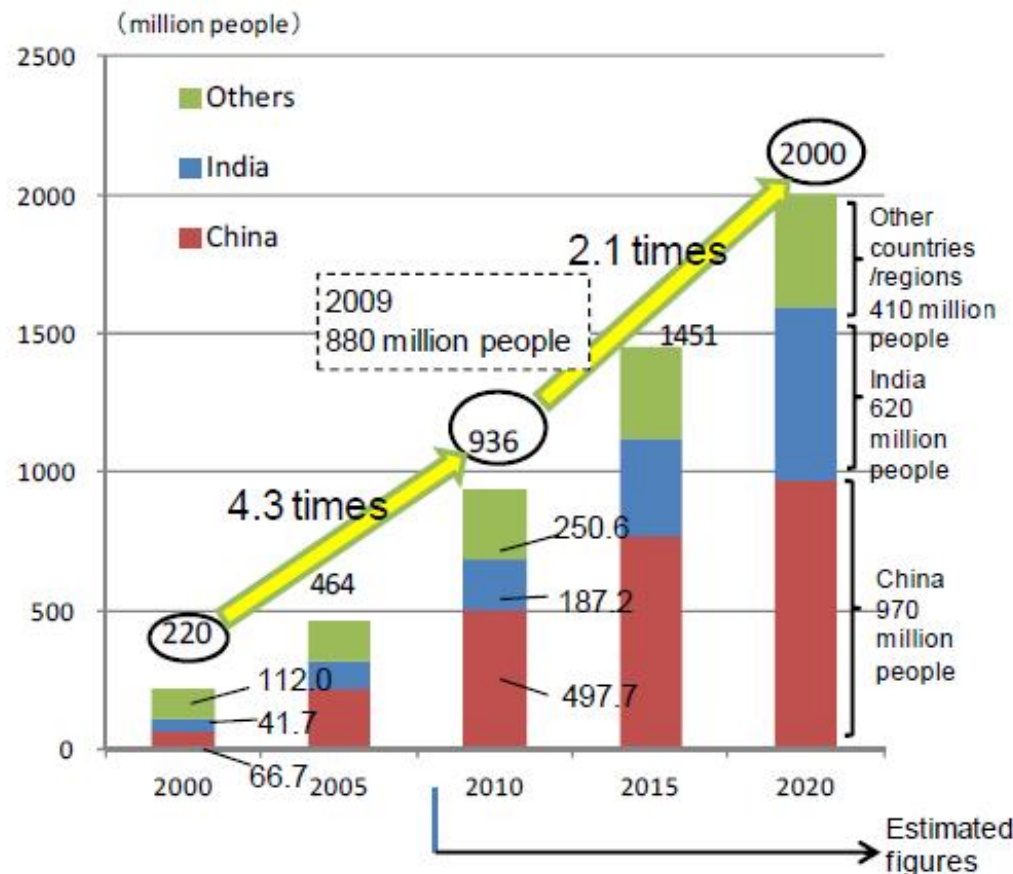
1. ASEAN as a manufacturing center

- Approximately 70 Japanese firms operating in Batam and Bintan
- Taking advantage of SEZ, relatively cheap cost
- Combined operation with Singapore

2. ASEAN as market

- Big potential of Southeast Asia as a market now
- Sale of “made in ASEAN” products in ASEAN countries

Asia's middle-income population will more than double within the next 10 years.



3. Toward AEC (ASEAN Economic

