

JAPAN AS A MODEL FOR SOUTHEAST ASIA: BACKGROUND, ADOPTION AND WHITHER*

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In the first two and a half decades after Japan regained its independence from the Americans in 1951, Japan as a model did not figure much in Southeast Asian consciousness. Save for some Southeast Asians advocating the adoption of some aspects of Meiji Japan,¹ most Southeast Asians, in so far as they were seeking for models to emulate, looked to two systems. These were the western model of democracy and the free market, and the socialist model.

This was quite understandable. In the first place, many Southeast Asian nations such as for example Indonesia, the Philippines and Malaysia were already practising some form of the democratic system in the immediate years after they had obtained independence from their erstwhile colonial masters. One reason was that the colonial powers would only transfer sovereignty to indigenous democratic governments. The more important reason however was simply the prestige of the west. Many Southeast Asians then considered the western system as representing the most advanced model of political and economic behaviour. Not only was the west the dominant political and economic force in Asia then but its superior economic performance (aided by technological prowess, good educational system and so on) and a stable political system that made this performance possible greatly enhanced its attractiveness.

On the other hand, there were those Southeast Asians who looked towards the socialist system. A part of Vietnam was already under communist rule from the year 1954, while communist movements were active in many countries of Southeast Asia. Even some of those

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¹ See working paper on "Participation in Industry by Bumiputera" (Working Paper No. 6/1/65) Bumiputera Economic Congress Working Papers, January 1965, as quoted in Mavis Puthuchear, "The Political Economy of Public Enterprises in Malaysia", paper presented at "Seventh Malaysian Economic Convention" organised by the Malaysian Economic Association, January 1983. There were however not many Southeast Asians pushing this Meiji model then though. Some Americans though recommend it to Southeast Asians as an alternative to communist China in that the Meiji modernisation did not arise from a revolution from below.

who were not communist were nevertheless impressed by the goals and the manner in which some of these communists were pursuing such goals. Writing of the attitude of Southeast Asian countries like Burma and Indonesia towards communist China in the mid-fifties, Herbert Feith stated that those in authority in these countries sympathised with the Chinese leaders "whom they saw as honest and dedicated men pushing ahead with great determination towards social and economic goals which were basically similar to their own."²

Japan by contrast then was no beacon. Its attempt at imposing a Co-Prosperity Sphere on many Asian nations had been completely discredited by its defeat in war, and by the extreme reluctance of the subjugated Asian nations to go along. Indeed such was the harshness of the Japanese methods employed, particularly during wartime, to strengthen its rule that it left behind an image of the Japanese as brutal conquerors among many Southeast Asians. This image was to become the dominant one among many Southeast Asians for much of the forties and fifties both because the war memories were still fresh and because of the fact that Japanese-Southeast Asian relations for that period was primarily dominated by the reparations issue.

This image however underwent a change in the sixties and seventies as the Japanese intensified their economic relations with Southeast Asia after the reparations problem was settled. As a result, another image, primarily influenced by the economic and social behavior of the Japanese in Southeast Asia began to emerge. To be sure, the war image was not entirely erased. It still remained deeply imbedded in Southeast Asian consciousness which could emerge to the forefront should any Japanese political and security role in Southeast Asia be contemplated. But it has lost its overwhelming identification with Japan as Japan became the leading trader and investor in many Asian nations. This is well captured by the words of one scholar, long resident in Southeast Asia. In the context of the Malaysian situation but which nevertheless applied to many Southeast Asian countries, this scholar writes that the "contemporary Japanese community in Malaysia is still subjected to the Japanese military stereotype of the Occupation years. Most Malaysian Chinese families can recall at least one relative killed by the Japanese during this time. But since the 1970s, this has been pushed into

² See Herbert Feith, The Decline of Constitutional Democracy in Indonesia (Cornell University press, Ithaca, New York, 1962), pp. 385-386.

the background by economic factors.”³ While not entirely flattering, this new image was not without certain positive elements which were to constitute some aspects of the model some Southeast Asians were to adopt.

As to the less flattering perceptions, a common one was that Japanese businessmen tended to be obsessed with the pursuit of their business ends, particularly profits, with little sensitivity to the society in which they were operating. The Japanese were only interested, according to an Indonesian journal in late 1973 and early 1974, “in gaining their own profits without compassion for others.”⁴ This opinion was also echoed by many Malaysians. The comparison was often made with western businessmen who were perceived rightly or wrongly to be more involved in social concerns even if they had not abandoned their pursuit of profits.

They were also perceived to be not too eager to involve local Southeast Asians in the way they run their firms. Everything of importance had to be referred to Osaka or Tokyo, and when they were not, the few Japanese expatriates on the local scene dominated the decision making. The local employees were often left out either because few of them were employed in the managerial class or if they were, not much consulted. While it is quite likely that no conspiratorial intent was present (Japanese expatriates, because of a common language and other considerations, feel more comfortable with each other), the feeling of deliberate exclusion was nevertheless felt by many local Southeast Asian employees. Again such was often contrasted with western firms. The western expatriates were seen to be more open to consultation with local Southeast Asian employees, and were more likely to employ more of them in managerial positions.⁵

³ Wendy Smith, “Japanese Cultural Images in Malaysia”, in Jomo K. S., ed., Japan and Malaysian Development: In the Shadow of the Rising Sun (Routledge, London and New York, 1994), p. 341.

⁴ See Riga Adiwoso-Suprpto, “Indonesian Perceptions of Japan and Indonesian-Japan Relations”, in Presence and Perceptions, the Underpinnings of ASEAN-Japan Relations, edited by Charles E. Morrison (Japan Centre for International Exchange ‘JCIE’, Tokyo, 1986).

⁵ This contrast with the western businessmen, particularly British businessmen, constantly crept up in my interviews with Malaysians on their perceptions of Japan in the early 70’s. The results of these interviews are published in Japanese in Lee Poh Ping, “Southeast Asian Perceptions of Japan: the Malaysian Case” in Overseas Markets (Tokyo, Japan External Trade Organisation, November 1976). See also Survey on

On a social level, the Japanese were widely perceived to be exclusive or clannish. They were criticised for not bothering much to mix with the locals, learn their languages and adapt to their customs.⁶ While many Japanese would deny their behaviour was a result of any Japanese ethnocentrism or prejudice against Southeast Asians (as stated in the first chapter, it was rather from social habits which inhibited and discouraged them from coming out of their own group),⁷ many Southeast Asians saw it otherwise. Many suspect the Japanese held feelings of superiority towards them. Some even think that if there are no economic interests encouraging such clannishness, such clannishness nevertheless promotes Japanese economic interests. They point to the fact that in Southeast Asia, Japanese tourists and residents tend to patronise primarily facilities such as hotels and restaurants which are Japanese owned.⁸

On the positive side, many Southeast Asians admired the loyalty the Japanese displayed towards their company as compared to the lack of such among Southeast Asian employees.⁹ Many also marvelled at the Japanese attitude towards work, exemplified on one hand by their capacity for hard work and on the other hand by the continuous attempt of them as employers' to

Malaysian Elite Perception of Multinationals, including Japanese, conducted by Khong Kim Hoong for the Conference Board, New York, 1976 for some negative Malaysian views of the Japanese. This is also true of Singapore, even in the 90's, where a businessman was quoted as saying, "Singaporeans would rather do business with Americans than Japanese because they were more attuned to the straightforward American way of working", while another Singaporean woman employed in a Japanese factory said if someone else offered her a job with good prospects, she will "leave straight away. You simply cannot move up here because you are not Japanese". Far Eastern Economic Review (Hongkong) 20 June 1991, p. 92.

⁶ This is a very common perception then by the man in the street in Malaysia.

⁷ See Chie Nakane. "Social Background" for an explanation of the Japanese view on this.

⁸ This was a sore point with many Southeast Asians who see much of the benefits of Japanese tourism in Southeast Asia going back to Japanese businessmen because of this. "All they (the Japanese) do is come in and shovel money out" complains a Malaysian tour guide. Far Eastern Economic Review 28 March 1991, p. 50.

⁹ This is a refrain among Japanese employers when the question of Southeast Asian employee loyalty to the firm is concerned. Many Japanese have difficulty accepting such high turnovers in southeast Asian firms when in Japan, it is so difficult for one employee to jump from one firm to another. See Chee Peng Lim and Lee Poh Ping, The Role of Japanese Direct Investment, p. 73.

instill the ethic of hard work on their Southeast Asian employees. Some Southeast Asians however may differ in the extent of their admiration for various of these traits. Malaysian Chinese, when asked which trait they admired most, would point to the Japanese capacity for loyalty and self-sacrifice, while Malaysian Malays would point to the work ethic. But overall, Southeast Asians would not dispute with the judgment of an Indonesian scholar that Indonesians were especially admiring "of Japanese working habits and strong discipline."¹⁰

The negative perceptions were a result of various factors. One was that Japanese firms which invested in Southeast Asia in the 60's were comparatively small, unlike the mammoth Japanese projects such as in oil refining in Singapore, in motor manufacturing in Malaysia, and in aluminum refining in Indonesia, one finds today. For example, in Malaysia in the 60's and early 70's, more than half the Japanese joint-venture firms employed less than 50 workers.¹¹ As a consequence, like all small firms, there was little or no "fat" which could be used for social and cultural purposes. Such firms had to be lean and fit which meant that everything was related to the bottom line. By contrast, many of the western firms were very much larger. Some of them were companies like the giant oil companies, many of which had public affairs sections, and in the case of a country like Malaysia, the British then still retained in the 60's considerable interest in big plantation, mining and trading interests which had some history of social involvement.

Added to this was the "underdog" mentality of many Japanese businessmen then. They saw themselves as labouring under great odds against established western firms with their greater capital, better marketing networks, brand name recognition, and extensive contracts with the authorities. In competing with the western firms, they have to be more aggressive than western businessmen, which had the effect of reinforcing the Southeast Asian image of them as not being very refined people who cared little for anything else other than business.¹²

¹⁰ See Riga Adiwoso-Suprpto, "Indonesian Perceptions", p. 24.

¹¹ According to list compiled by JETRO in 1978, see Chee and Lee, The Role of Japanese Direct Investment, p. 16.

¹² Some Malaysians today are describing Korean businessmen, who have now to compete against established Japanese businessmen, in term quite similar to those they applied to Japanese businessmen in the 60's and early 70's.

A final reason was simply that of what maybe called the "seikei bunri" mentality. Anything other than economics was not deemed the business of the Japanese, even if something had to be done about the social and cultural effects of their business involvement. So used to the belief that they were to focus on economics and not be involved in the messy business of politics, the Japanese businessmen and indeed the Japanese government could or would not take the necessary steps to address themselves to Southeast Asian grievances concerning the Japanese presence.

Southeast Asian perception however underwent a remarkable change from the late seventies. It was not that the negative perceptions were disappearing. As a survey of Filipino opinion of Japanese businessmen in the early eighties shows, they were still negative perceptions. But they have become less salient. The more popular perceptions had come to the fore. Indeed a 1979 survey of Singaporeans shows that "52 percent of the 900 Singaporean respondents perceived the Japanese as good friends, colleagues and neighbours. Twenty-seven percent viewed the Japanese as clannish and having little social contacts with the locals, while 2 percent considered the Japanese troublemakers."¹³ This was also the case of Indonesia as exemplified in the changed tone of editorial opinions and writings of the Indonesian *Tempo* magazine. Just "as westerners," writes an Indonesian scholar, "began to admire Japan's organisational structure, Indonesians followed suit, often basing their knowledge on western writings. Once resented working habits were now approved, the Japanese managerial system might be applied in Malaysia." This scholar went on to point out that such relatively positive writings by *Tempo* were common between 1978 and 1981.¹⁴ Such changed perceptions became evident on the official level when two Southeast Asian countries began to undertake concerted campaigns to emulate the Japanese example. Singapore launched a "learn from Japan" campaign in 1978 while Malaysia adopted a "Look East Policy" in 1982, a policy with the purpose of following the Japanese model. And in 1987, the Filipino trade and industry secretary,

¹³ See Chin Kin Wah "Singaporean Perceptions of Japan" p. 99 and Wilfredo Villacorta, "Japanese Presence in the Philippines and Filipino Reactions" p. 70 in Presence and Perceptions.

¹⁴ See Riga Adiwoso-Suprpto, p. 27.

Jose Conception, was quoted as saying that his country "must become something like Japan Incorporated."¹⁵

What were the reasons for this remarkable shift of perception of Japan among Southeast Asians in the late 70's and 80's

One was the realisation on the part of the Japanese that they could not ignore the non-economic consequences of their involvement. This is seen in the Fukuda Doctrine which had as one of its aims that of building stronger ties with the ASEAN countries not only economically, but in the social and cultural realms as well. To this end, the Japanese government began seriously to take the necessary steps to enhance their image. A foundation called the Japan Foundation¹⁶ was set up to fund all manner of cultural exchanges between Japan and the rest of the world. The ASEAN countries were given some priority in Japan Foundation funding which included the establishment of Japanese studies departments in ASEAN universities, the provision of scholarships for ASEAN students to study in Japan, and the dispatch of Japanese scholars and cultural troupes to Southeast Asia and so on. In addition, the better quality of Japanese governmental personnel were sent to Southeast Asian countries. No longer were diplomatic posts in some of the Southeast Asian countries seen as "dead end" posts.¹⁷

The Japanese private sector was also exhorted by their government and other concerned Japanese on the need to be sensitive to the Southeast Asian environment. Some of them such as the Toyota Motor Company responded by setting up a foundation to fund Japanese and indigenous Southeast Asian research on Southeast Asia. Others became a bit

¹⁵ See Asian Wall Street Journal (Hongkong) July 10-11, 1987.

¹⁶ This foundation was also set up at a time of increasing tensions with the United States because of Japanese economic prowess. A lot of funding goes to the United States but it also funds a lot of Southeast Asian activities related to Japan.

¹⁷ Hitherto, those Japanese diplomats on the "fast track" i.e. the those likely to rise to the top did not consider stints Southeast Asia essential. Since then, particularly in the 1980's top quality diplomatic personnel have been dispatched to Southeast Asia. In the mid-1980's, the then Japanese ambassador to Malaysia, Takazu Kuriyama, waited only a very short time after his Malaysian posting to become the vice-minister (the highest administrative post) in the Japanese Foreign Ministry, and subsequently went on to become the Japanese ambassador to the United States.

more willing to donate money for purposes that may not be directly linked to business reasons. In general, Japanese businessmen became more aware of local sensitivities even if many may not have changed their ways. While all these steps may not necessarily have brought about a deeper Southeast Asian knowledge of the Japanese,¹⁸ they nevertheless made the Japanese more acceptable.

A second reason was the increasing loss of appeal in the late 70's and early 80's of the western and socialist models. This was particularly the case with the Chinese variant of the latter. This model which had impressed many Indonesians and Burmese earlier had been tarnished by the excesses of the Cultural Revolution. Mao's attempt to create the ne plus ultra of socialist man had only managed to convey to Southeast Asian eyes that of rampaging Red Guards and a China in chaos. Essentially, it was the failure of the Maoist model to modernise China, as was to be so dramatically and so publicly demonstrated by Deng Hsiao Peng's open door policy in 1978, that led to its diminishing appeal. Moreover, it was further underscored by the fact that post-1978 China was itself looking towards other models, primarily that of Japan¹⁹ and the Asian newly industrialising countries.

There was also disillusionment on the part of some Southeast Asian countries with the continued economic vigour of the west. Dr. Mahathir, the prime minister of Malaysia was not an admirer of the work ethic of the British believing together with Lee Kuan Yew of Singapore, that trade unions, particularly those in Britain, were in no small way responsible for the loss of the

¹⁸ According to a Thai scholar and a Singaporean scholar, their countries' knowledge of Japan is not very deep despite such actions. Chin Kin Wah writes in 1986 that while the number of books on Japan is increasing in Singapore, one "should be wary of the assumption that more Singaporeans are reading more about things Japanese." Chin Kin Wah, "Singaporean Perceptions", p. 98. While Medhi Krongkaew in "The Japanese Economy according to Thai Economist" in Thai Perceptions of Japanese Modernization, edited by Kunio Yoshihara (Kyoto University, Southeast Asian Studies, 1989), p. 118, writes that he could say "with reasonable confidence that the studies about Japan in Thailand today are at best uneven and are not extensive and rigorous enough..." Such suggest a change in perception towards another country need not necessarily be based on deep knowledge of that country.

¹⁹ An American scholar, Frank Gibney wrote that in 1979, the Chinese leader Deng Hsiao Peng reminded him that China then "had the same number of lathes as Japan had in the early 1960's. Why, he asked, could not China attempt a similar takeoff?" "Letters to the Editor" in Foreign Affairs (New York), Vol. 27, No. 2, P. 172.

work ethic. They no doubt had plenty of examples to support their views in the Britain of the seventies which saw a continued series of trade union actions that sapped the British economy. Thus, when both launched the campaigns to emulate Japan, these were also within this context of the inability of the western model to offer a satisfactory model of development.²⁰

A third reason was simply the dazzling performance of Japan. Not only had its economy been rebuilt from the ashes of the war, it had also developed into one of the largest in the world, surpassing those of many of the major industrial nations of the west. In the process it has made a great impact on the world economy. News abound of Japanese prowess in the export of cars, computer, video cassettes and so on. Such an astonishing development by an Asian country like Japan had made many Southeast Asians wonder whether they might not be able to follow suit. In this, they were no doubt encouraged by the writings of many westerners regarding the feasibility of the adoption of the Japanese model. As noted earlier, many Indonesians were influenced by the western admiration of Japanese organisational structure. One book in particular written by a Harvard professor, Ezra Vogel in 1979 did make some impact.²¹ Vogel

²⁰ The development of positive perceptions towards Japan among some Indonesians also coincided with a belief in the "inability of western nations to provide satisfactory models of development". See Riga Adiwoso-Suprpto, p. 27.

²¹ Vogel's book, (Ezra Vogel, Japan as Number One, Lessons for America, Harvard University Press, Cambridge, Mass., 1979) did make an impact on Southeast Asia. These can be seen from three developments. One was in Indonesia, where the Indonesian publication, Tempo, pointed to the worldwide interest in Japan's organisational structure as evidence by interest in Vogel's book. See Riga Suprpto, p. 28. In Malaysia, a Malaysian civil servant making his comments on the floor in a lecture by Ezra Vogel organised by the Institute of Strategic and International Studies in Kuala Lumpur in 1994, mentioned the deep impact Vogel's book had on him while serving his stint in a remote part of Malaysia then. And the third are the innumerable times. Vogel has been invited to speak on the Japanese model in Singapore. See Learning from the Japanese Experience, by C. V. Devan Nair, Ezra F. Vogel, Nobuyoshi Namikei, Lim Chong Yah (Maruzen Asia, 1982).

In Japan, Vogel's book was particularly pleasing to many Japanese, now that they are told they could be a teacher to their erstwhile mentor. A Japanese friend told me he knew of the head of a Japanese corporation who purchased a thousand copies of the book for distribution to the employees of the corporation.

argued that just as Japan had followed the west before, it maybe time then, given the obvious success of the Japanese system, for a bit of the reverse. The west could itself usefully adopt some of the basic features of this system. One can thus imagine the impact on Southeast Asians of a professor from that great bastion of learning, Harvard University, saying that a western nation, hitherto considered the most advanced in the world and held up for others emulate, could do itself no harm by emulating an Asian country like Japan.

Japan as a Model

It has to be said that not all Southeast Asian countries launched the kind of national campaigns like Singapore and Malaysia to adopt the Japanese model. Thailand and Indonesia did not have any such official campaign even though some of their opinion makers may have urged for the adoption of certain Japanese features.²² These may have been more sceptical of the possibility of transferring another country 's experience on one 's own. As a former Indonesian foreign minister who was involved in the reparations negotiations with Japan in the fifties. Roeslan Abdulghani, said recently that a model was something one should make for oneself. It, he continued "should be developed according to our own culture."²³

Even for Malaysia and Singapore, the adoption was not without some psychological barrier. Quite apart from the reluctance of independent, self respecting nations to follow someone's tutelage,²⁴ there was the problem of an unhappy historical experience with the putative tutor itself. This was particular the case with Singapore, the great majority of whose population were Chinese. They suffered greatly under Japanese occupation during the war. It

²² See Riga Adiwoso, p. 27, and a series of articles written by Thai scholars on various aspects of the Japanese Modernization experience in Thai Perceptions of Japanese Modernization, edited by Kunio Yoshihara (Kyoto University, Center for Southeast Asian Studies) 1989.

²³ See "Memory and Apathy" in Far Eastern Economic Review (Hongkong) August 24, 1945, p. 38.

²⁴ This feeling is apparently quite strong among many Southeast Asians, newly independent and wishing more to look into their own traditions than always looking towards others. A Malaysian scholar thus writes that from a sociological point of view "it does not make sense at all to exhort Malay Muslims to emulate Japanese or South Korean work ethics. Ones' own cultural background is invariably a more powerful medium for the transmission and inculcation of personal values." See Chandra Muzaffar, "Hard Work - The Cure All" in Jomo, ed., The Sun Also Sets, p. 344.

must be somewhat painful for them to have to follow the example of a nation that had oppressed them during the war. In the event, the passage of time, the development of a pragmatic attitude, and a perception of basic similarities with Japan overcame the psychological barrier.

Thus, the adoption came more than thirty years after the war by which time Japan had become the leading trader and investor in most of the Southeast Asian countries. The feeling was that if the war experience had not prevented Southeast Asia from developing strong economic links with Japan, it should also not be a barrier to adopting the methods of Japan which made it so economically prepossessing. This feeling was described by the Singaporean prime minister, Lee Kuan Yew, as the typical Singaporean attitude of being hard-headed and realistic. Such an attitude would not allow antipathy towards Japan to affect mutually beneficial economic relations and the adoption of the Japanese model. The Occupation memories for Malaysia was less of a psychological impediment however, As the Malaysian prime minister, Dr. Mahathir Mohamad, said recently, that while the Japanese did impose hardships in the then Malaya they nevertheless made it possible for Malaysians and other Southeast Asians to fight for independence.²⁵

Also, the Singaporeans, apart from some underlying sentiment that Singaporeans, particularly those of Chinese descent may share a common Confucian heritage with the Japanese, saw themselves like Japan (perhaps even more so) as a nation without natural resources. Like Japan which had developed spectacularly through the utilisation of the talents of its people. Singapore could perhaps do likewise. As for Malaysia, Dr. Mahathir saw some similarity between Japan and Malaysia in the not too distant past. For both were "small economies dependent on international trade, with a young but rapidly growing work force. Both share high levels of national investment and savings and have enjoyed relatively low levels of inflation." More important Dr. Mahathir continued, "we share a common belief in monetary

²⁵ Among the recent statements by Mahathir on this subject is a book he co-authored with the Japanese nationalist, Shintaro Ishihara. He writes that needless to say, "the Japanese Occupation of Malaysia was not a pleasant experience". But there was no "denying that the Japanese Occupation ultimately led to Malay (sic) gaining independence from British colonial rule". The Voice of Asia by Mahathir Mohamad and Shintaro Ishihara (Kodansha International Limited, translated by Frank Baldwin, Kinokuniya Company Ltd.), 1995, p. 17.

stability, and financial discipline as preconditions to growth."²⁶ If similarity of endowment is the case for Singapore, it is the similarity of the *weltanschauung* of development for Malaysia.

The Look East Policy of Malaysia

As Malaysia was the most fervent advocate of the Japanese model in the form of the adoption of a Look East Policy, a discussion of this policy 's origins, the debate as to its feasibility, its connection with bilateral Japan - Malaysia appropriate.

It is not an exaggeration to say that this Look East Policy was very much the brain-child of one man, Dr. Mahathir Mohamad who, just after he assumed the premiership in 1981, announced this policy for Malaysia. While Dr. Mahathir undoubtedly had a genuine admiration for Japanese accomplishments, some suggest complex motivations behind the policy. One is that this policy was implicitly anti-western, anti-British in particular. The Look East Policy was announced at a time when Anglo-Malaysian relations were at a new low. Such poor relations resulted from certain moves by the British deemed unfriendly to the Malaysians, and the Malaysian reaction towards such moves and towards Britain in general then.

One such as the decisions by the Thatcher government in 1981 to increase fees in British Universities for foreign students, among whom were a large number of Malaysians then. This hit Malaysians like a bolt of lightning for it meant the possible deprivation of higher education in Britain for many Malaysian students who were not on government scholarships, and a tremendous increase in the government subsidy of those student on government scholarships. This was widely deemed to be an unfriendly act by a country long considered an old friend. A second development was the successful attempt by Malaysia's Permodalan Nasional Berhad²⁷ to take over the British agency house, Guthrie. Many Malaysians saw this acquisition as no mere than "bringing Guthrie home" as the bulk of this agency house's business was in Malaysia. Many Malaysians were incensed by subsequent changes in corporate take-over regulations in London

²⁶ Dr. Mahathir Mohamad, "The Japanese model: Its Relevance for Malaysia", in M. Pathmanathan and David Lazarus, eds., *Winds of Change* (Eastern Productions Sendirian Berhad, Kuala Lumpur, 1984).

²⁷ The Permodalan Nasional Berhad or the National Investment Corporation, was established by the Malaysian government as a company which will purchase shares in other companies to redistribute it for the bumiputeras of Malaysia.

which would make it more difficult for Malaysia and any other country to undertake any such take-overs. Naturally, Malaysia saw these changes as a response to its move, and the British actions served to reinforce in Mahathir's belief that the British and the West practised double standards. Where it suited them, the West would abide by certain rules. When these rules worked against them, they would change them, commitment to fair play notwithstanding.²⁸

Thus, in response to the British actions, Mahathir announced a "buy British last" policy. Government departments were instructed to consider British bids for contracts and the like only after all other bids had been considered. At the same time, Dr. Mahathir also threatened to leave the British Commonwealth of Nations, proclaiming it to be a dead organisation (though he subsequently did not carry out the threat). Such as the anti-British atmosphere generated that many politicians got into the act. A consequence of this was the demand for Britain to return the Carcosa, which was the residence of the British high commissioner, given to the British as a parting gift by the first Malaysian prime minister, Tengku Abdul Rahman.²⁹

While it is no doubt true that the Look East Policy was proclaimed under such circumstances, it is nevertheless a matter of dispute as to whether the perceived anti-British bias of Mahathir was responsible for the policy. It is certainly true that Mahathir then had a dim view of the economic performance of the West in general, and Britain in particular. As stated previously, he perceived a decline of the work ethic and social discipline there believing in the

²⁸ Mahathir is a firm believer in the "double standards" of the West, particularly over free trade and over Bosnia, recently. The West, when it was economically overwhelming supported free trade as it benefited them. But when other countries such as Japan and the Asian industrialising countries began to benefit also from free trade by challenging the western dominance, the West then began changing its tune, that free trade was not after all that sacred a principle in international economic relations and could be abolished. As to Bosnia, the reluctance to do much to prevent Bosnian Muslims from being attacked contrasted with the western commitment of manpower and resources to stop a Muslim Iraq from invading Kuwait where, not incidentally, its oil reserves were important to the West.

²⁹ The Carcosa in a magnificent residence on top of a small hill in Kuala Lumpur where from once in the British Raj, the British overlord of Malaysia deigned to reside. The first prime minister of independent Malaysia or Malaya as it was called then, decided to give the Carcosa as a goodwill gift to the departing British. The British turned it into their embassy, or High Commission as it is called. Agitation by UMNO politicians in the 80's forced the British to return it to Malaysia. It is now turned into a high class hotel.

case of Britain that the trade unions play no small part in this. He also believed that Malaysia should not be too sentimental in its relationship with Britain as if some presumed "old boy" network or commonwealth ties will make the British any less calculating in their foreign policy towards Malaysia.³⁰ Whether such views constitute an anti-British attitude is best left to those who might want to engage in the linguistic analysis of the word "anti". It is true, however, that this dim view of British work ethic corresponded with Mahathir's admiration of the Japanese work ethic. In this respect, the Look East Policy and Mahathir's attitude towards the British are indirectly linked; to say the latter caused the former or the former will lead to the latter is an exaggeration.

Some believe that another motivation behind the Look East Policy is Mahathir's disguised way of urging the Malaysians, particularly the Malays, to imitate Malaysia's neighbour to the South. Singapore, whose modern and efficient administration together with the hardworking qualities of its people are apparently admired by Mahathir.³¹ It is disguised because it is not politically possible to urge Malaysia, particularly Malays, to admire a nation where three-quarters of the population are Chinese. While undoubtedly Mahathir had brought Malaysia-Singapore relations to a less emotional level from that of his predecessors and that he did admire the Singaporean administration, it is a matter of speculation as to whether emulation of Singapore was the real objective of the Look East Policy.

Related to this is a third motivation, that of imitating not only Japan but South Korea and Taiwan. Instead of only Japan, the "East" in the "Look East" also includes South Korea and Taiwan, countries which by the early 1980s had also performed spectacularly well in the economic realm.

³⁰ One of the more curious arguments given to explain the so-called anti-British bias of Mahathir was that he, unlike the three previous prime ministers had not been educated in Britain as though studying there should make one an Anglophile. One wonders about the many Asian students who had studied in Britain but returned home to their countries to fight the British there. Moreover, the University of Malaya (based in Singapore then) where Mahathir studied for his medical degree was perceived then in the early 50's as a very British institution.

³¹ For some reference to Mahathir's admiration of the Singapore administration, see Munir Majid, "Fulfilling the Malaysian Destiny" in The New Straits Times (Kuala Lumpur), 1 January 1985.

There may be some truth in this as South Korea had sometimes been cited by government officials as an example which could be emulated though Taiwan (like Singapore) is rarely mentioned publicly as an example at the early period of the Look East Policy.³² In so far as this admiration for what is often called the "East Asian edge" is true, it pertained primarily to the hardworking qualities of East Asians rather than to their political and economic experience, Japan excepted. After all, Taiwan's economy is primarily driven by small industries unlike the Japanese and Korean economies. And if Singapore and Hong Kong were included, these very small entities which are basically city states. In addition, South Korea, Taiwan and even Japan benefited from American favour during the Cold War.³³

A fourth widely held belief was that the Look East Policy meant the favoring of Japan in bilateral Japan-Malaysian relations in general and that of Japanese investors in Malaysia in particular. Both the Malaysian government and the Japanese government denied that there was any such linkage, insisting that it was nothing more than what it was supposed to mean, which is primarily the adoption of those values which made Japan so economically prosperous. Thus, Mahathir himself had to come out to dispel this linkage by stating in 1982, that while Japan was the biggest investor in Malaysia, the Look East Policy is "directed not so much at investment from Japan but at acquiring the kind of policies, systems and work ethics that the Japanese have."³⁴

³² See Jomo K. S. Japan and Malaysian Development, p. 7. However, in recent times, there was less sensitivity about openly mentioning Singapore and Taiwan as examples. In fact in 1986, the Institute of Strategic and International Studies in Kuala Lumpur (a government supported think-tank) published the proceedings of a conference organised by it on the Taiwanese experience.

³³ There are some who argue that the replicability of the Japanese and the other East Asian success is somewhat open to doubt in a post-Cold War era. In the Cold War, the United States, in order to have East Asia as an ally in the struggle against communism, turned a blind eye to their "developmental state" methods, i.e. export-orientation, keeping value of currencies low, protecting certain industries and so on. The United States is now less likely to do so.

³⁴ In an Interview with the Far Eastern Economic Review, 11 June 1982. Another minister, Sanusi Junid in presenting a paper in the Penang Conference entitled "Notes on Japanese Industrial Structure - Relation to Small Scale Industries with the Corporate Sector" writes that "no one should be misled into thinking that it is our government's Look East Policy which gives favours to the Japanese and Korean companies to win more tenders." Nevertheless, the belief is still widespread that Japanese investors would be favoured. In at least

Still there are many Malaysians who believe that Japanese investors have indeed been favoured, and that some reciprocity is expected. Japan thus should give more official Development Assistance, invest more and give better terms of trade to Malaysia for a Look East Policy which favoured Japan.³⁵

If finally, the Look East Policy is what the prime minister stressed always what it should mean, how was the Malaysian acquisition of Japanese work ethics to be done. One was on the level of propagation. A post-war Japan that had never grabbed centre stage in Malaysian public consciousness for any length of time before the Look East Policy began to do so with that policy. There was a conscious effort to gear the governmental machinery toward this. Television and radio, almost all government-owned, increased their coverage of Japan and to some extent, South Korea. Such very often consisted of documentaries of both countries. The local newspapers, many of them controlled or influenced by pro-government interests also began to increase coverage, often laudatory of Japan. The private sector, following the government cue, held "Learn from Japan" seminars and conferences, and there was at one stage no end of meetings on quality control circles, company welfarism and other features of corporate policy associated with Japan.

The other concrete effort was the despatch of Malaysians to study in Japan. The prime minister himself seems to favour short stints of a couple of months in Japanese firms where it was hoped something of what made the firm tick will rub off on the Malaysian trainees.

one well known case, writes Jomo K. S. in Japan and Malaysian Development, p. 7, "involving construction of the Dayabumi Complex, the contract was awarded to two Japanese firms whose bid of RM314 million was RM71 million more than a lower Malaysian bid. The indigenous (Bumiputera) engineering firm which the two Japanese firm were required to work with subsequently complained publicly that its Japanese partners were merely using it to maintain good relations with the government, and that no technology transfer was actually taking place." See also "Personal Vision, Japanese business has a direct line to Mahathir" in Far Eastern Economic Review, 28 March 1991. A Malaysian scholar in surveying Japanese businessmen in Kuala Lumpur are happy with the implementation of the "Look East" policy as they feel that it would be relatively easier to do business in Malaysia", Lim Hua Sing, Japan's role in ASEAN. Issues and Prospects (Times Academic Press, Singapore, 1994), p.10. Apparently, if this is true, many Japanese also believed the Look East Policy favoured their business.

³⁵ See Dewan Masyarakat (in Malay) (Kuala Lumpur), August 1990, p. 16.

Governmental personnel were also despatched to Japanese government or quasi-governmental agencies to be instructed on many things. A special Japanese studies centre was set up with Japanese official development assistance in the university of Malaya to prepare Malaysian students for university education in Japan. Unlike Japanese studies programmes attached to the faculties of universities in the various Southeast Asian countries, where aspects of Japan were taught in various disciplines, this centre performed more of a matriculation function. Malaysian students were given training in the Japanese language and familiarisation with Japan. Subsequently, they would be entered into the relevant Japanese universities.³⁶

When the Look East Policy was introduced, there were some who believed that Meiji Japan was to be emulated despite the fact that official pronouncements stated quite clearly that Malaysia's interest lies in the contemporary experience of Japan i.e. post World War II Japan. Some discussion of this may be in order. Some argued that there were three aspects of the Meiji period which were relevant for Malaysia.³⁷ The first is that Japan modernised in the absence of a Protestant ethic, unlike the West, where, according to Max Weber, western capitalism came about because of the presence of Protestantism. Second, Malaysia is now about at the same takeoff stage as Japan in the Meiji period, and hence, Malaysia could strive to emulate what Japan achieved. Third, there was government and private sector partnership. This refers primarily to the Meiji Government fostering the growth of an entrepreneurial class from the samurai by among other things, hiring all government industries, except for those related to national security, to them. Malaysia could similarly encourage the growth of a Malay entrepreneurial class by heavy government support.

³⁶ The moving force behind this Japan centre was the former vice-chancellor of University of Malaya, Ungku Abdul Aziz. In an interview, he said that one of the aims of the centre was to train Malays to understand Japan so that they need not rely on others to mediate between Japan and Malaysia. He said many Japanese diplomats were not unsympathetic to this view.

³⁷ Goh Cheng Teik, "Japanese Industrialization -- Why did Japan Succeed and Lessons for Malaysia", paper presented at Seminar on the "Japanese Experience: Lessons for Malaysia", 28 - 31 May 1983 at Penang, organised by the Malaysian Economic Association (Northern branch). See also Working Paper on Participation.

Those who urged caution³⁸ in imitating the Meiji experience pointed to two crucial factors in Malaysia and other Southeast Asian countries that were not present in the Meiji period. The first relates to the absence of a colonial experience in Japan. This meant Japan was a more homogenised group and was economically independent before the Meiji modernisation. Second, the traditional leadership did not face the problem of rising expectations, as all Southeast Asian countries do today. Therefore, the Japanese leadership's ability then to demand the necessary sacrifices for modernisation was much less severely tested than Malaysia's today.

As to the debate on the contemporary Japanese experience, it revolves around that of the trading companies or *sogo sosha*. The Malaysian government has made much of the first feature, coining the term "Malaysia Incorporated" as a result. As this concept is somewhat new to Malaysians, it had been associated with many things, from all kinds of government-private sector interaction such as privatisation and so on to the need for efficiency, incorruptibility and so on in government. Essentially, what is meant is a government which is not in confrontation with the private sector but helping it to flourish instead. And it has been pointed out that there are three aspects of such collaboration in Japan which are relevant to Malaysia. The first involves the relationship between the Central Bank of Japan and the commercial banks where the former is the ultimate guarantor of loans made by the latter to industries, particularly loans to those industries within the *Zaibatsus* and *Konzerns* of a particular bank. Thus knowing this, commercial banks freely lend and industries freely borrow, which means that such industries are less answerable to stockholders, giving them the advantage of long-term planning. Thus, Mahathir's statements on the role of the banks is indicative of this. "Bankers", he said, "must also continue to help those ventures that possibly will turn around with economic recovery... They must have foresight and must not turn and foreclose every project merely because they are non-performing loans... Bankrupting our entrepreneurs simply because the recession has rendered them incapable of servicing their loans will not help anyone -- not the borrower, the bank or the nation."³⁹ He may not have enacted legislation to make the Central Bank or the government

³⁸ Chandra Muzaffar, "Hardwork – The Cure All?" in Jomo K. S., ed., The Sun Also Sets. See also comments on the Meiji experience by Lee Poh Ping in the Penang conference.

³⁹ The Star (Kuala Lumpur) a Malaysian English daily, 29 August 1987.

controlled commercial banks to do such but he obviously has in mind a collaborative bank-industry relationship not unlike the Japanese one. Second, there is the existence of an elite bureaucratic group which by the practice of administrative guidance could direct the economy to certain desirable goals, for example, by encouraging sunrise industries like computers, optic fibers, etc. and phasing out sunset industries such as textiles, cement and so on. And third, it involves the government helping out with the export drive such as establishing organisations like the Japan External Trade Organisation (JETRO)⁴⁰ to gather market information overseas, and bodies like the Organisation for Overseas Economic Finance (OECF) to help finance infrastructural projects overseas that will help Japanese Business.

The adoption of company welfarism is done a bit more selectively on the part of the Malaysian government. For example, the government and many employers are keen to introduce in-house unions, after the Japanese fashion, on the grounds that this will reduce management-worker conflict. They are rather silent on other features such as life-time employment, bonuses and paid holidays for workers and so on. Third, the *sogo soshas* have been promoted by much fanfare; the most famous is the Malaysian Overseas Investment Corporation (MOIC) which was able to group together under its wing many established Malaysian companies. As the name suggests, the aim of the Organisation is to promote Malaysian economic activities overseas, particularly exports although it was suggested by the then MOIC managing director that the original aim was to use the MOIC as a vehicle to promote south-south cooperation.⁴¹

On reflection however, one finds there are difficulties involved in implementing Malaysia Incorporated. The banking system is very much western inspired which makes it unlikely that the Central Bank can play the role of the Bank of Japan as some kind of ultimate guarantor for funds loaned by commercial banks. Nor is the relationship of the commercial banks to business enterprises anywhere near the Japanese case, not to mention the fact that many major banks in Malaysia are still foreign-owned and even more likely to be more strict about the profitability of

⁴⁰ Ironically now, because the Japanese export drive has been so successful, JETRO now is trying to do the reverse, encourage more imports into Japan.

⁴¹ "whither the Sogo Soshas?" The Star, February 24, 1985.

their loans than local ones. Similarly, there is quite a marked ethnic distinction in Malaysia between the bureaucracy, which is Malay-dominated and the private sector, which is Chinese and foreign dominated though there is an increasing Malay component. It is difficult enough in Japan for MITI bureaucrats to implement administrative guidance, even though Japan is such a racially homogeneous society and even more, the fact that many bureaucrats and business leaders are graduates of Tokyo University. What more in Malaysia when administrative decisions, however rational, can easily be perceived as racially inspired.

Moreover company loyalty, while to a great extent is a function of company welfarism, it must nevertheless also be understood with reference to Japan cultural background. Japan is probably the only industrialised country which could establish an impersonal joint-stock company and yet retain the loyalty of employees not related to the management either by blood or kinship ties. This may be attributed to feudal Japan where there is a tradition of samurai loyalty to the *daimyo* (the tale of Chushingura is one of the most famous example of Japanese loyalty to their Lord). It becomes thus a matter of transferring this traditional loyalty to a new "lord", the company. By contrast, even the most economically successful group, the Malaysian Chinese can only command the loyalty of the employees only in a clan and dialect-group setting, not in a modern-type company.⁴²

There are also critics who argue that the image of Japan Incorporated as depicted above is a highly idealised one. The reality is somewhat different, particularly that pertaining to company welfarism. These point to the fact that, for example regarding life employment; not all employees are so entitled. Women employees are basically temporary and are expected to leave when they get married. So too with lowly employees such as janitors and so on who are also not full-time while in times of recession many older employees are encouraged to retire. Only key employees benefit from this and they probably do not even constitute a majority of the total employees. The situation is even less rosy with the employees of small and medium industries which are by no means small in number and where employment is much less secure.⁴³

⁴² I am indebted to Hideo Yamada, a former professor of Hitotsubashi University for this insight.

⁴³ See Kua Kia Soong, "Why Look East" and Chandra Muzaffar "Overkill?: In-House Unions for Malaysia", in Jomo, ed., The Sun Also Sets. See also Ezra Vogel, ed., Modern Japanese Organization and Decision-Making (University of California Press, Berkeley, Los Angeles and London) 1975.

They also point out that the management-worker relationship is not what it seems to be; that there are surveys showing that workers are not that happy; that not all workers, particularly those in small and medium industries, are unionised,⁴⁴ and that the health and safety conditions for Japanese industrial workers are far from satisfactory. So with the *sogo soshas*, the supposed vanguard of many Japanese economic activities. According to the critics, many are in fact large monopolistic organisations, not averse to abusing their power. They in fact have a tarnished image after being severely criticised in the 1970's by journalists, intellectuals and the official Fair Trade Commission in Japan and were accused of cornering the market and thus causing inflation, destroying the competitive framework of the economy and corrupting the political process. In the Malaysian context, it was argued⁴⁵ that there is little point in introducing the *sogo soshas* as there were already established trading companies like Sime Darby and other agency houses which could do so well. At any rate, what is more important is to ensure the quality of the product, that it should be something saleable. Recent events have proved this to be correct when the MOIC did not prove successful and official enthusiasm has abated somewhat.⁴⁶ Some even went to the extent of urging the government to help by making it mandatory for foreign companies in Malaysia to use the *sogo soshas* for their purchases,⁴⁷ while others insist *sogo soshas* should stand on their own feet. The government according to the *New Straits Times*, a Malaysian news daily, should "avoid favouring the Malaysian *sogo soshas* or general trading companies and laying at their feet business opportunities which should rightfully be available to every businessmen in the country through open competition."⁴⁸ A Japanese scholar attributed the failure of *sogo soshas*, except in product to sell, and second, the lack in Malaysia of the kind

⁴⁴ Comments by Jomo K. S. in Penang Conference. He pointed out that one could only speak meaningfully of Japanese trade Unions as those which might reasonably protect its worker with reference basically to Sohyo, Domei and the industrial and metal workers.

⁴⁵ Chee Peng Lim, "Malaysia's Sogo Soshas - No go So far", in Jomo, ed. *The Sun Also Sets*.

⁴⁶ The MOIC has indeed fallen into difficult times. Its managing director, Abdullah Ang, had once been put into jail for criminal breach of trust.

⁴⁷ "Sogo Soshas Seek Government Help", *New Straits Times*, February 12, 1985.

⁴⁸ "Sogo Soshas must stand on own feet", *New Straits Times*, February 13, 1985.

of supporting groupings or conglomerates that the *sogo soshas* are part of in the above two countries.⁴⁹

Many Malaysians also advocate caution because they do not think the Japanese model will be implemented fairly. Some argue that if Malaysians were to adopt company welfarism, this should be in a total package. This means lifelong employment, houses, paid holidays and so on and not only those which call for workers to make sacrifices. They are also grave misgivings about the adoption of in-house unions which some think will lead to the weakening of the labor movement as a whole,⁵⁰ while others believe that Malaysia incorporated would lead to more hardships if the profit motive is stressed both in the government and the private sector.

The problem of evaluating the success of the Look East Policy is not a simple one as, it is, in the words of one Malaysian scholar, "sometimes unclear where and when the policy begins and ends. One is often tempted to conclude that the policy embraces only those policy aspects publicly deemed to have been successful or broadly acceptable, avoiding what is popularly perceived to have failed or to be unacceptable. In other words, after over a decade and numerous public clarifications of what the policy constitutes, there remains a considerable area of ambiguity."⁵¹ Such ambiguity notwithstanding, one can still make an evaluation based on the assessment of concrete benefits to Malaysia and of whether its main aim, the achievement concrete benefits to Malaysia and of whether its main aim, the achievement of a Japanese type work ethic and social discipline has been accomplished.

Consider first if Japanese aid and investments have increased in Malaysia as a result of the Look East Policy even if both governments denied this was an aim of the Look East Policy. An examination of Japanese Official Development Assistance (ODA) to Malaysia from the years 1975 to 1990 may offer some clue if ODA had increased during the Look East period. If we start with Japanese grant aid, including technical assistance, the figure's are as follows:

⁴⁹ Kunio Yoshihara in a seminar on "Ersatz Capitalism" given to the History Department, University of Malaya, Kuala Lumpur on 19 August 1987.

⁵⁰ See Chandra Muzaffar, "Overkill?: In-House Unions". See also V. Davoid (himself a trade unionist), "The Implications of Emulating the Japanese Style of Industrial Relations", paper presented in the Penang Conference.

⁵¹ Jomo K. S., Japan and Malaysian Development, p. 5.

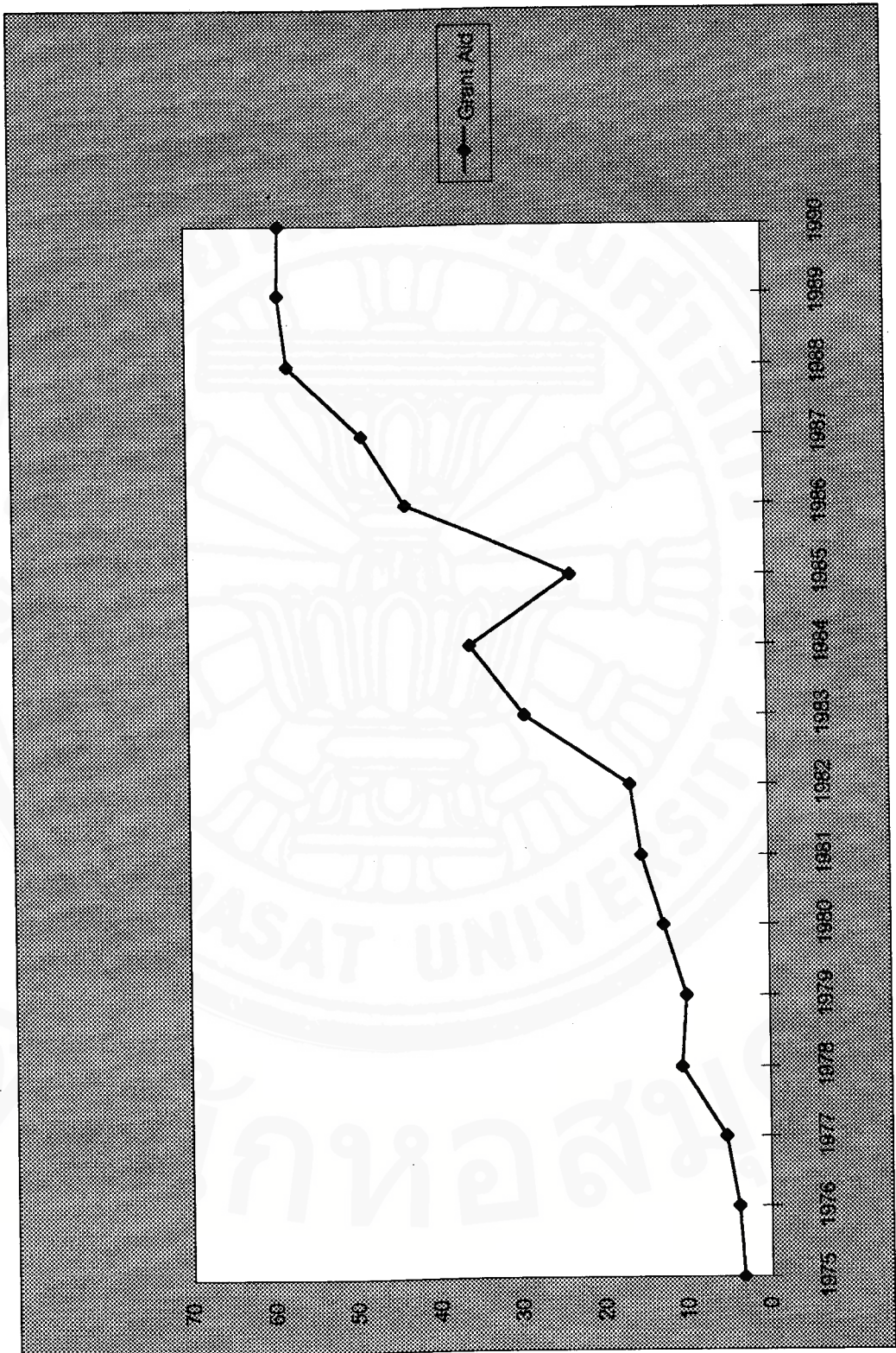
**JAPANESE OFFICIAL DEVELOPMENT ASSISTANCE TO
MALAYSIA FROM 1975-90 (US\$ million)⁵²**

Year	Grant Aid	(Technical Assistance)	Loan Net Disbursement	Total ODA
1975	3.26	(3.26)	60.01	63.27
1976	3.86	(3.86)	30.10	33.96
1977	5.34	(5.34)	24.11	29.45
1978	10.61	(7.76)	37.39	48.00
1979	10.04	(9.89)	64.58	74.62
1980	12.72	(12.58)	52.91	65.63
1981	15.32	(15.00)	49.40	64.72
1982	16.59	(15.47)	58.73	75.32
1983	29.29	(22.57)	63.01	92.30
1984	35.83	(24.81)	209.80	245.14
1985	23.61	(23.06)	101.98	125.59
1986	43.49	(36.43)	-5.72	37.77
1987	48.67	(40.82)	227.72	276.39
1988	57.64	(54.74)	-32.81	24.83
1989	58.71	(56.96)	20.92	79.63
1990	58.54	(58.54)	312.31	376.62

The figures show that in some year (1975-1977 and 1990) the grant aid came totally in the form of technical assistance. There is a perceptible increase in this grant aid from 1982 onwards except for a dip in 1985 as can be seen when these figures are rendered graphically (See p. 80).

⁵² Taken from OECD "Geographical distribution of financial flows to developing countries", for the various years as supplied by the Overseas Economic Cooperation Fund, Kuala Lumpur office.

JAPANESE GRANT AID TO MALAYSIA
(US\$ million)



But while there is obviously an increase, the actual amounts are really very small beer. There is only an jump of slightly less than US\$ 13 million from 1982 (US\$16.59) to 1983 (US\$29.29) and of US\$32 million from 1982 to 1990 (US\$58.54). The total amount for each year is also very small, averaging around US\$40 million from the years 1983 to 1990. A more significant measure is the overall ODA which is very much larger as it includes commercial loans. Here, taking the loan net disbursement, there is no pattern of increase from 1982 onwards as seen in the graph.⁵³ (See p. 82)

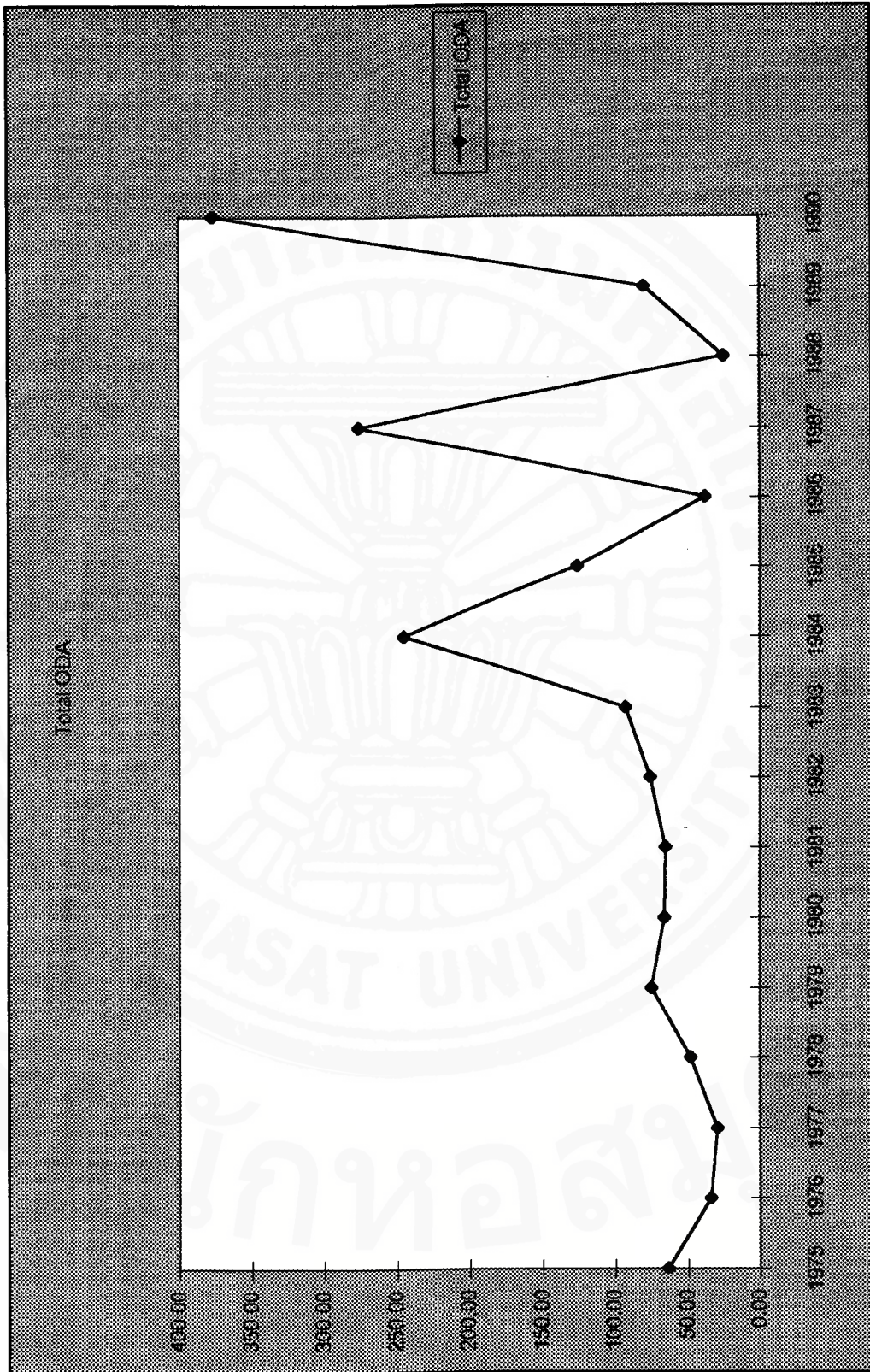
True, there was huge sum of US\$ 209.30 million in 1984. But this is mainly accounted for by two big projects unrelated to the Look East Policy.⁵⁴ At any rate, in some years such as 1986, Malaysia refused to take any loan (in fact, it repaid what was borrowed previously) on the grounds Japan declined to ease the burden of debt repayment as a result of the high yen. This is hardly Look East spirit.

The Japanese investment pattern also shows no significant trend of increase after the adoption of the Look East Policy in 1982. The figures are as follows:

⁵³ OECD, "Geographical distribution".

⁵⁴ A Japanese diplomat was quoted as saying that such big loans, at a time of financial crisis in Japan could not have been given without a Look East Policy while another Japanese diplomat said such huge amounts of project loans to Malaysia was consistent with Japan's policy to assist developing countries and unrelated to the Look East Policy. See Lim Hua Sing, Japan's Role in ASEAN, pp. 7 and 24. Apparently, the Japanese themselves, while somewhat confused in the initial stage as to the purpose of the Look East Policy, began to worry later about the "moral responsibility" they had to carry to deliver on expectations. Some Japanese diplomats suggested that "Malaysia was expecting too much from Japan, and if Japan could not meet their expectations to their satisfaction, the "Learn from Japan" campaign might change to an "anti-Japan campaign" as had happened in 1974". Lim Hua Sing, p. 8.

TOTAL JAPANESE ODA TO MALAYSIA
(US\$ million)



**JAPANESE INVESTMENT IN THE FIVE COUNTRIES
OF ASEAN, 1975-90 (US\$ million)⁵⁵**

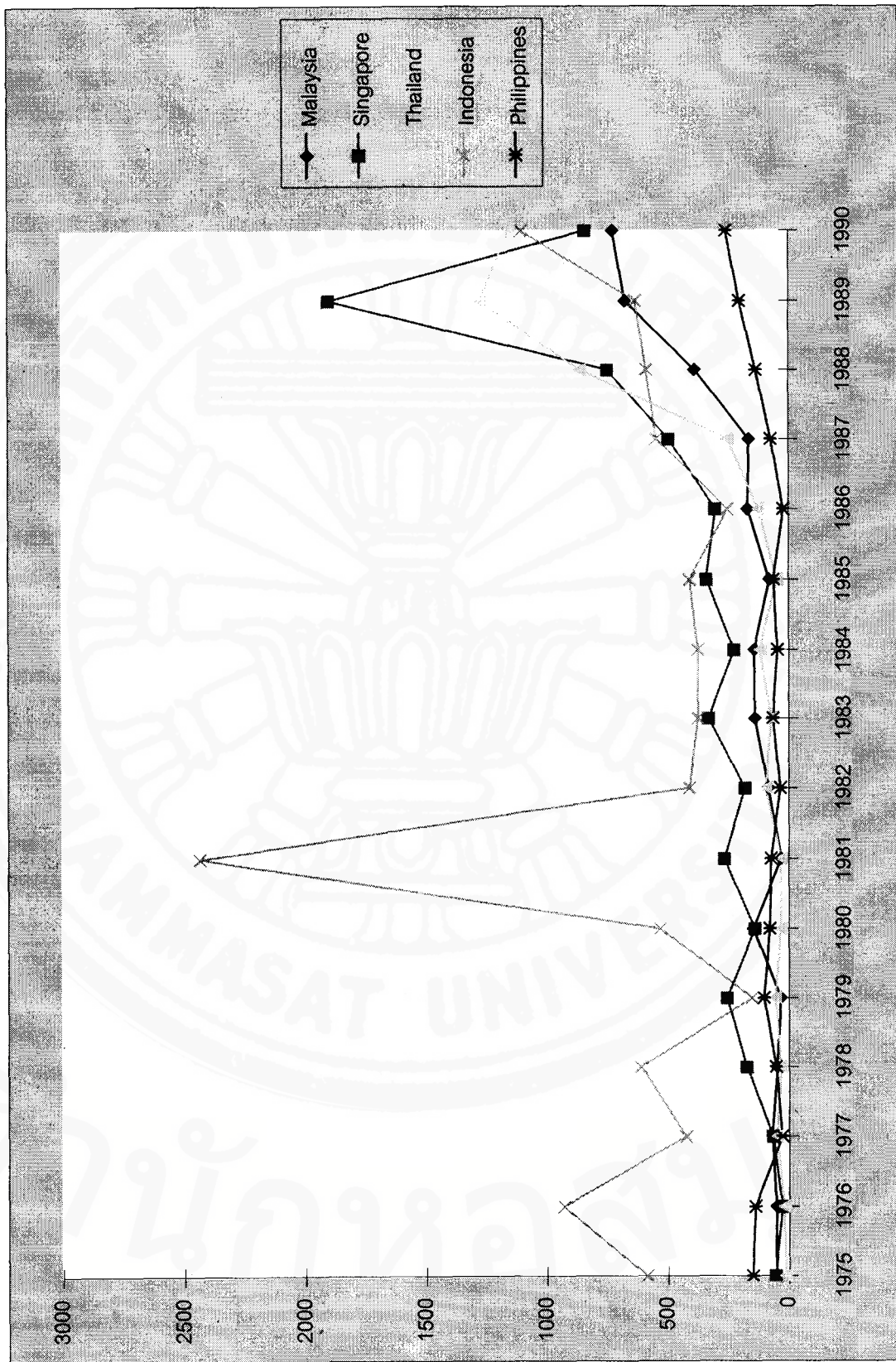
	Malaysia	Singapore	Thailand	Indonesia	Philippines
1975	52	55	14	585	149
1976	52	27	19	931	140
1977	69	66	49	425	27
1978	48	174	32	610	53
1979	33	255	55	150	102
1980	146	140	33	529	78
1981	31	266	31	2434	72
1982	83	180	94	410	34
1983	140	332	72	374	65
1984	142	225	119	374	46
1985	79	339	48	408	61
1986	168	302	124	250	21
1987	163	494	250	545	72
1988	387	747	859	586	134
1989	673	1902	1276	631	202
1990	725	840	1154	1105	258

There is a steep rise beginning from 1987 onwards for Malaysia. But, it is not a result of the Look East Policy as similar trends of increase are found in the other ASEAN countries. This suggests that the revaluation of the Yen after the Plaza Accord of 1985 is the real reason for the increase.

Represented graphically, it will be thus: (See p. 84)

⁵⁵ Figures supplied by the Minister of Finance.

JAPANESE INVESTMENT IN THE FIVE COUNTRIES OF ASEAN, 1975-90 (US\$ million)



As to the achievement of the work ethic, those who deemed it a success point to the great number of Malaysians trained under this programme. No less than Kiichi Miyasawa, the then prime minister of Japan pointed out in an interview with the Malaysian newspaper, *Business Times*, that since "the start of the Look East Policy there has been a remarkable expansion of personnel exchanges between Japan and Malaysia..." He was particularly glad, he continued, "to see that the achievements of the more than 3,500 Malaysian trainees and students who have been able to study in Japan, thanks to the cooperation of many in both the public and private sectors of our two nations, have been highly praised in the government organisations and private enterprises where they have worked since returning to Malaysia."⁵⁶ The suggestion here is that such Malaysians would be able to adapt the Japanese work ethic to local Malaysian conditions. Such a view is echoed by those who support the policy. Thus, a member of parliament from the ruling party in Malaysia, Afifuddin Omar, claimed that the policy was meant to be a selective experience whereby Malaysia has shown itself capable of "grafting a selective set of values and ethics -- both from the East and within our own traditions."⁵⁷ Yet, one Malaysian social critic has some doubts. He argued that since 1982, over two thousand students and skilled workers had been sent as part of an official Malaysian government effort to absorb Japanese work ethics. Most of these trainees, he writes, "stay in Japan for less than three months, and the efficacy of the programme is suspect. Apparently, only ten percent of the returnees even bothered to respond to an official questionnaire attempting to assess the value of their visits."⁵⁸

Thus, it is not quite clear how much concrete benefits or how much of a change in work attitude Malaysia has derived from the Look East Policy. Nevertheless, most Malaysians agree if there is one clear achievement it is that the Look East Policy had firmly established in Malaysian minds an alternative model or "paradigm", to use the words of the editor of an influential Malaysian newspaper, of development from that of either the western or the socialist model.⁵⁹

⁵⁶ "Look East Policy forging stronger bilateral ties", *Business Times*. (Kuala Lumpur) January 14, 1993.

⁵⁷ "Looking Global to enhance trade, investment and technology", *New Straits Times*, 10 December 1992.

⁵⁸ Jomo K. S., *Jomo and Malaysian Development*, p. 8.

⁵⁹ Thus the top editor, A. Kadir Jasin, of the *New Straits Times* writes that the "Look East Policy has done a lot of good for Malaysia. At the very least, it provides an alternative paradigm in our learning process" in "Bumiputeras must not be mere fronts", *New Sunday Times* (Kuala Lumpur), September 10, 1995. The

Whither

More than fifteen years have elapsed since Singapore began in 1978 with its "Learn from Japan" campaign. Is the enthusiasm still here among those Southeast Asian countries that have adopted the Japan Model? The answer is that while neither Singapore nor Malaysia have publicly announced the abandonment of their emulation, and even if some Southeast Asians may still retain an interest in emulating some aspects of the Japanese system, the bloom is off the rose. The romance with Japan as some Malaysian intellectuals have characterised Malaysia's Look East Policy has waned. There are many reasons for this. One of course is simply the effusion of time. One can receive too much of admonitions from government officials and all kinds of pundits on the emulation of Japanese quality control circles, *sogo shosha*, company loyalty and all those pertaining to the Japanese example, particularly when one is not totally sure how all these can be applied.

The second reason are developments in Japan itself. Where once the Japanese dazzled the world with the success in the management of its own economy and society, it now flounders in political and economic management. Apparently hidden from view in the aura of spectacular success then was the possibility that the Japanese system was not what it was cracked up to be. On the economic level, this became evident beginning from 1991 when the Japanese government decided to deflate somewhat the "bubble" economy, i.e. the economy that was dependent on vastly inflated stock and property prices, with the aim of bringing them down to more realistic levels. In the recessionary consequences which followed, it was revealed that the Japanese financial system was saddled with a lot of bad loans (with some institutions going bust and having to be rescued by the Japanese government) and that many Japanese firms have over-invested as to create excess capacity. The consequences of such excess capacity is that some employees may have to be laid off thus striking a big blow into the Southeast Asian image of the Japanese practice of lifelong employment as a means of achieving company success. And the inability of Japanese business to recover from the bubble deflation has cast doubt on

Malaysian social critic, Jomo K. S. was also once quoted as suggesting that the Look East Policy offered a third model, the Japanese one, from that of the western and socialist models to the Malaysian public. He said that the policy "reminded Malaysians that people elsewhere were doing far better than the Anglo-Americans" in "Look East Policy: Its context, impact" in New Straits Times (Kuala Lumpur) December 7, 1992.

Japanese managerial ability, once so much praised world-wide. The most dramatic pronouncement on this came recently from a very high Japanese official, Eisuke Sakakibara who said that Japanese management was the worst in the world.⁶⁰

And what of the vaunted Japan Incorporated system whereby a stable political system is maintained by a one-party dominant system that allowed the bureaucrats to intervene effectively⁶¹ in the economy, and which had been a basis for Southeast Asian emulation. Again cracks are emerging with the dominant party, the Liberal Democratic Party experiencing massive defections, by members who then proceeded to form other parties to challenge LDP's domination. While the LDP has fought off many challengers and defections and still control the government, it is not as strong as before. Similarly the Japanese political system has become more fluid. In the past nine years, there were eight prime ministers. The present prime minister Hashimoto seems shaky and could be replaced before his term expires thus adding further to the turnover. Added to this was the attack on the Japan Incorporated concept itself by the first non-Liberal Democratic Party premier since 1955, Morihiro Hosokawa who, when he was premier attempted in both word and deed to attack bureaucratic control in Japan. Whether such attacks can succeed is one thing.⁶² But the spectacle of a Japanese prime minister attacking a

⁶⁰ Eisuke Sakakibara, a very high Ministry of Finance official, often known as "Mr. Yen" because his pronouncements on currency movements often influenced the value of the yen, also said that Japanese white collar workers were so-so while Japanese blue collar workers were the best in the world. See South China Morning Post (Hong Kong) April 23, 1988.

⁶¹ Chalmers Johnson in his MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925-1975 (Stanford University Press, Stanford, California) characterised Japan as a developmental state. Unlike the command economy where the state intervenes in the economy to achieve political ends and in a *laissez faire* economy where state intervention aims at efficiency, the aim of state intervention in developmental states is its effectiveness

⁶² Since Hosokawa's attack, Japanese bureaucrats have lost a lot of their credibility in Japan. Their reputation has been tarred by the inability of the Japanese economy to recover (when they were supposed to be those responsible for guiding the postwar Japanese economy to such success). And in specific instances such as in the handling of HIV tainted blood taken by some haemophiliacs, Ministry of Health bureaucrats were seen either as unimportant or criminally negligent. They were also not above corruption,

Japanese system which was supposed to be an object of emulation, together with a floundering Japan in the political and economic arena, must have raised doubts in some Southeast Asian minds as to whether they were right in following the Japanese model,⁶³ especially recent developments such as the Kobe earthquake and the presumed Aum Shinyo Kyo nerve gas attack in a Tokyo subway raised further doubts not only about Japan Incorporated but the efficiency of the Japanese system to address basic humanitarian and social problems.

Added to this is the growing confidence of the Southeast Asian countries, particularly the ASEAN countries regarding their economic performance. Indeed, Southeast Asian countries like Malaysia, Singapore, Thailand and Indonesia were given a pat in the back by a World Bank report which pointed out their impressive growth rate for the 30 years from 1960-1990.⁶⁴ The Bank attributed this growth to these countries keeping the fundamentals right such as keeping inflation low, investing in human resource training, export-oriented strategy and so on. The adoption of such fundamentals may have been influenced by Japan but the 30-year success in having a high growth rate was, many years of which predate the "Learn from Japan" campaign, suggesting to many Southeast Asians that they may be on the right path even before the Japanese model was adopted. At any rate, Thailand and Indonesia, which enjoyed such high growth rates did not have a "Learn from Japan" campaign. Even more so are the continuing growth of the ASEAN economies despite recession in Japan and the slowdown in the West. Where once such recession and slowdown would have affected ASEAN economies they had not much effect. The upshot would be confidence in their own path and a lesser inclination to follow others, at least until the Asian financial crisis which began in June 1997.

even in their most prestigious ministry such as that of finance. Finance bureaucrats have been shown to be on the take and lavishly entertained in exchange for information and lenient treatment for relevant companies.

⁶³ A. Kadir Jasin also continued in his "Bumiputeras must not be mere fronts" that Malaysia could also not learn from Japan in the way it was handling the consequences of the bursting of the bubble economy. "Instead of admitting they (the Japanese) had amassed huge bad debts", and start taking steps to provide for them, the (Japanese) banks, he wrote, delayed the process in the hope that economic growth would solve the problems. He went on to say that Malaysia should not "brush aside the Japanese lesson", of bad financial management.

⁶⁴ The East Asia Miracle, a World Bank study published in 1993.

The Asian financial crisis has of course destroyed Southeast Asian confidence in their economic management, what with their currencies depreciating greatly and their high growth rates reduced to almost zero and negative in some cases. It has also aggravated, though not caused,⁶⁵ the Japanese economic crisis as Japanese banks are quite exposed to Asia, and many of their exports go there too. But more to the point, the Asian crisis have led many pundits to pronounce that, quite apart from external currency fluctuations and possible conspiracies, the real cause of the crisis is structural, essentially that of the Asian model of state-directed capitalism, many times unflatteringly described as crony capitalism, a system seen as wasteful and corrupt. Many have gone further depicting such state directed capitalism as originating in Japan.⁶⁶ The present crisis thus shows the failure of the Japanese model, and a triumph of the American model of freer capitalism. On the face of it this appears valid, what with the American economy booming, and those countries least affected by this crisis, such as Taiwan, Hongkong and Singapore, being those with the least state involvement in business, or crony capitalism. But to consider the future of the Japanese model for Southeast Asia, one needs to go beyond generalities like the failure of state directed capitalism or crony capitalism. One has first to identify the essential elements of the Japanese model and then consider them from the effectiveness⁶⁷ (i.e. of the ability of the state to get the private sector to abide by state policies) and social aspects. As to the former, the elements are state direction of private finance and industry, and company welfarism.

From the view of effectiveness, what the Japanese bubble deflation and the Asian crisis have demonstrated is the failure of state directed finance. The original model involved the directing of finance to industries which have growth potential (sunrise industries like computers,

⁶⁵ The troubles of the Asian countries began after the Thai crisis and they were in a sense the victims of a "contagion effect". Japan's troubles, though subsequently affected by this contagion, began with the bubble bursting in the early 1990's. See Lee Poh Ping, "Japan and the Asian Economic Crisis" ISEAS Trends (Singapore) No. 29, April 25-26, 1988.

⁶⁶ See for example "American Remedies won't work in the Asian Crisis" by William Pfaff in the International Herald Tribune (I.H.T.) Monday, January 12, 1998. See also "Asia's economic Model Yield to the Bottom Line", I.H.T. January 19, 1998.

⁶⁷ See Chalmers Johnson in footnote 61.

video-cassette recorders and so on) and phasing out sunset industries, mainly smoke stacked ones. At the same time, within industrial groups, finance, coming through the bank within the group or some other associated with it was directed to businesses which could gain market share and which encouraged research and development. Very often such banks were overstretched -- in many cases, the debt-equity ratio of Japanese companies came to as much as 93:7 - but behind them was the Bank of Japan and the government which rarely allowed banks to fail. It was held that such financing could not be obtained without state guidance as private banks would not do so, being only interested in the bottom line and not in long-term gains. It must be said that this had been quite successful. Japan recovered dramatically from its war-torn economy. State-directed financing enabled South Korea to make the structural adjustment from an agricultural country to an industrialising one, and similarly so, though to a lesser extent, in many of the countries of Southeast Asia.

But a maturing Japanese economy and globalization, particularly the globalization of finance, have shown up the limits of this approach. The increasing difficulty in the development of new marketable industrial products in a age where growth comes from services such as those associated with the information revolution, Japanese finance, its yen much inflated as a result of the Plaza accords of 1985, went into many of the same industrial areas thus creating overcapacity. Much of it also went into speculative real estate at home and abroad, treasury bonds and expensive paintings. The state either encouraged this or did little to dissuade private finance from such unproductive ventures because heavy regulation of the financial system was not conducive to the creative usage of finance such as could have come about if the system was more open to the stimulus of foreign competition. The overcapacity element was even stronger in other Asian countries that adopted the Japanese model in some form. The Korean chaebals, with state finance, over-invested in motorcars and microchips. Similarly, some Southeast Asian countries like Malaysia and Indonesia directed state finance to heavy industries that relied on a protected home market.

The decision to deflate the Japanese bubble in 1991, as mentioned earlier, put paid to the effectiveness of state-directed finance. Up to the time of writing, Japan has yet to clear up the financial mess. The Shortcomings in the other Asian countries of this state directed finance only became apparent after July 1997. Before that imprudent lending by Western and Japanese

banks to many Asian countries kept such countries awash with cash, thus enabling these countries to maintain a high economic growth even if such growth masks the inefficiencies of their state directed capitalism. The withdrawal of Western investors after July 1997 showed that these Asian countries are facing a financial crunch in continued creation of over-capacity and indulging in unproductive ventures.⁶⁸

State directed industry, the second element, though ultimately subordinate to the state directed financial system, has a better record in Japan. MITI guided the development⁶⁹ of the Japanese miracle, and after 1985 in contrast to state directed finance, state directed industry achieved the remarkable adjustment of Japanese industry brought about by the almost overnight doubling of the value of the yen. This is by any standards a remarkable achievement. How much of this is due to the productivity of Japanese industry or to actual guidance by MITI is debatable. At any rate, this is one aspect of the Japanese model that cannot be outrightly dismissed as ineffective.

As to company welfarism it was thought that the high productivity of Japanese firms resulted from the treatment of an employee as a member of a family rather than as an impersonal unit of production. This was demonstrated in the spectacular success of companies associated with Toyota, Honda and Matsushita which were deemed to practice such welfarism. As was stated earlier, such of more positive aspects of such welfarism such as lifelong employment were given to not many key employees of such firms. The pressures such as poor economic performance now operating on the Japanese economy are increasingly demonstrating that company welfarism is under threat except in the more successful companies which are primarily

⁶⁸ However Japan, unlike many of the affected Asian countries is not short of capital. It can still use its capital, if it so desires, to continue old practices. Rather than being indebted to non-Japanese interests as many Southeast Asian countries are to foreign interests, it is a big creditor to borrowers outside Japan. According to a Business Week (U.S.A.) article (November 10, 1997) Japan has US\$291 billion in US treasury bonds and US\$265 billion in Asian loans and banks.

⁶⁹ While it would be naive to think that the relationship between MITI and the Japanese industry is free of corruption, there is nevertheless few, if any, recently of public revealed corruption cases as compared to the Ministry of Finance bureaucrats.

in the industrial sector. As mentioned earlier, Japanese companies are now seriously thinking of laying off employees as a means to maintain competitiveness.

If there is now some proof that the Japanese model may not be as effective today as before, nevertheless the social aspect of the model may endure. In essence, the deep reluctance of the state to allow big companies, to fold such as the many which are found in the financial sector, bespeaks of the deep fear that such closing will lead to the disruption of social harmony, if not of the political system. In a sense one can argue that the Japanese model arose in Japan from the cultural desire to maintain harmony, and such harmony led to the maintenance of a political economic system conducive to reconstruction of a war-torn economy, and in some Asian countries to industrialisation. While it can be argued that the new global age means the triumph of the American model, the social and political costs, such as in increased unemployment and job insecurity, and so on, of adopting the American model in Japan and Asia may prove difficult to bear. We can see this in the great difficulties Southeast Asian countries are now facing trying to adopt a freer capitalist model.