

WHY PM SPOKE OUT AGAINST JAPAN

29 AUG 1984

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KUALA LUMPUR, Tues. — Datuk Seri Dr Mahathir Mohamad's scathing comments about Japan in his speech yesterday must have come as a shock, not least to the Japanese.

But those who have been following the Prime Minister's recent statements closely have noted his increasing emphasis on bilateral trade with certain countries, especially Malaysia's loss in invisibles and the country's trade deficits.

This emphasis on outflow of funds from Malaysia and the country's loss of earnings because of increased protectionism abroad was also a main feature of his talks with Australian Prime Minister Bob Hawke and New Zealand Prime Minister David Lange during his visit to the two countries recently.

When Dr Mahathir took over as Prime Minister in 1981, the country faced a bleak economic future — the world recession combined with the apparent mismanagement of funds at home had left the Government kitty near empty.

Given Dr Mahathir's own penchant for economic issues, the Government took a hard look at the state of the nation. In the wake of this scrutiny came the plans and programmes for stepping-up efficiency, cutting red tape, privatisation, Malaysia Incorporated and Leadership by Example.

The Government also made the politically difficult decision to trim operating and development expenditure and a general tightening of the belt became a necessity.

But to achieve any significant success, attitudes needed to be changed and so Look East came into being.

The turnkey contract system was introduced to speed up construction. Quality Control Circles became the talk of the day. The Mind of the Strategist rose to the top of the bestsellers lists, the Dayabumi complex was begun (and constructed in record time) and a new era of practical co-operation based on 'mutual need and self-respect, rather than sentimentality or traditional ties, was ushered in.

In the process, Malaysian technicians were sent to Japan for training and it was hoped that the local industry would benefit from the transfer of technology and use of local raw materials in the massive construction projects tendered out.

There were also hopes that Malaysian manufactured products would be imported by the rest of the world to earn Malaysia valuable foreign exchange and help the country move away from its dependence

on commodity markets controlled by the west as well as propel Malaysia into the industrialised world from its agricultural base.

The great promise that was apparent in the path set by the Government included increased Malaysian expertise in consultancy work, more use of Malaysian carriers for transporting freight, more foreign or domestic 'private investment picking up the slack to carry on from where the Government left off and the economy chugging along, even if at a slower pace.

Dr Mahathir's repeated statements on trade relations over the past month or so make clear that the results have not been quite up to his or the Government's expectations.

The increasing protectionism in the west is shutting down markets for Malaysian manufactured goods there; meanwhile Japan's traditional reluctance to open its borders more to free trade ensures that that country continues to be a world economic leader by protecting its own while clamouring for more access to overseas markets.

Dr Mahathir also made it clear yesterday that the honed-for transfer of technology, spin-offs to local industry and a more fair and equitable trade relationship with Japan has not materialised — Malaysia's trade deficit with Japan is expected to rise to \$3.6 billion next year, with the loss in invisibles alone contributing \$1.3 billion.

Japan's response to the Prime Minister's criticism could well define the future relationship between the two countries. And in pondering that response, Japan would do well to take into account how some of the other nations have reacted to the same criticisms by Dr Mahathir.

During his six-day official visit to Australia and New Zealand earlier this month, Dr Mahathir raised basically similar issues in his talks with Mr Hawke and Mr Lange respectively.

In Canberra, he pointed out that bilateral trade between Australia and Malaysia was in the former's favour by more than \$800 million last year; in Wellington, even Mr Lange acknowledged that New Zealand enjoyed a three-to-one surplus in its trade with Malaysia.

Dr Mahathir told Malaysian newsmen covering his trip that he was not asking for an immediate balance of trade.

out because of a waning competitive edge?

That Mr Hawke agreed to study the proposal sounded encouraging and it is likely that the Australia-Malaysia joint-trade committee proposed by Mr Hawke and agreed to in principle by Dr Mahathir would go into the details of the proposal.

Dr Mahathir's biggest grouse, however, was the increased protectionism in Australia. Mr Hawke appeared to suggest, in a speech at the dinner he hosted for Dr Mahathir in Canberra, that while he appreciated the problem there was little he could do as long as other countries get more protectionist.

Australian Industry Minister Senator John Button was more blunt, and appeared to reflect the views of the Australian business community, in his off-the-cuff speech at the Australian-Asean Business Council dinner in Sydney on Aug. 13.

Sen. Button drew applause from the more than 200 Australian businessmen when he said that perhaps Dr Mahathir should be present at his meetings with Australian businessmen to convince them that they were being protectionist.

And referring to Dr Mahathir's emphasis on trade and economic matters in Australia, Senator Button quipped: "Mr Prime Minister, you are going on to New Zealand after this. They could do with some sound economic advice there."

The remark brought down the house and while it may have to do with the patronising attitude of Australians towards New Zealanders, some members of the Malaysian delegation who were present — including the local businessmen accompanying Dr Mahathir — appeared to feel that it was a sarcastic barb aimed at the Prime Minister.

Dr Mahathir, however, had told Malaysian newsmen the day before that he felt the Australian visit had gone off quite well and had been largely positive, especially the fact that Mr Hawke had acknowledged that something had to be done to narrow Malaysia's trade deficit with Australia.

In New Zealand on Aug. 15, Mr Lange acknowledged his country's three-to-one surplus in trade with Malaysia and in an unrelated development, the Government there announced the next day that it would open up its markets a bit more by relaxing tariff barriers for certain goods by some 20

per cent.

Dr Mahathir has repeatedly stressed Malaysia's commitment to free trade. The responses in Australia and New Zealand have been encouraging and it is this commitment to free trade with which he has now confronted Japan.

What is the point of Japanese firms winning turnkey contracts and then not aiding by the spirit of the conditions stimulated such as the genuine and sincere transfer of technology?

The Government is also concerned that these foreign, especially Japanese, contractors have not really made use of local materials in their construction work as stipulated.

There are several buildings in Kuala Lumpur alone for which even the nuts and bolts and screws were imported from Japan rather than being purchased locally as stipulated in the contracts.

Japan has yet to remove tariff barriers on the import of simple manufactured products — even as it takes the lead in the production of high technology products — despite Dr Mahathir's repeated appeal to Japanese Premier Yasuhiro Nakasone to do so.

When Dr Mahathir says simple manufactured goods, he means things like rubber gloves which Malaysia, with her natural rubber, can produce cheaply.

The Prime Minister is apparently near to concluding that if the Japanese refuse to budge even on simple matters such as these, their sincerity and promises of "mutual co-operation" need another look.

Despite Dr Mahathir's comment that he did not wish to draw too many parallels, there appeared to be just the gentlest of warnings implicit in the Prime Minister's reminder to Japan that it was forced to open up its borders for the first time in the 1850's under threat by Commodore Perry.

One of the reasons why Commodore Perry succeeded in 1854 was the fact that his black ships were in a position to impose great hardships, even starvation, on Tokyo by cutting off the bulk of necessary supplies that had to come from outside, by sea.

"The Asean black ships are of a peaceful kind. We are anchored in Tokyo Bay. If you turn us away, we will be back.

"I sa to the Japanese people: A spare for the Second Opening of Japan."