

13/01/1997

New Japanese role in inter-Asian economic relations

Jailani Harun

THE two-day visit by Japanese Premier Ryutaro Hashimoto to Kuala Lumpur last week, and the scheduled visit to Tokyo next week by Prime Minister Datuk Seri Dr Mahathir Mohamad, can be described as efforts to rejuvenate inter-Asian cooperation.

For the past few years, the importance that Japan placed on South-East Asia seemed to have been eclipsed by the US and its other allies in the Group of Seven (G-7).

Even some Japanese diplomats in Malaysia, including Ambassador Issei Nomura, had noted their strong feelings that Japan-Malaysian relations "were at a crossroads, and that we should not take friendly relations for granted".

In economic relations, Japan remains Malaysia's largest trading partner, currently accounting for 19 per cent of Malaysia's total trade. Since 1980, bilateral trade has been expanding at an annual rate of 14 per cent, and is continuing to grow.

Malaysia's trade with Japan has more than doubled to RM76.5 billion in 1995 from RM31.6 billion in 1990, with the balance in Japan's favour. In the first 10 months of last year, Malaysia's trade deficit with Japan reached RM4.5 billion from a total bilateral trade of RM35.4 billion.

Exports to Japan during the period totalled RM15.5 billion, and imports RM19.9 billion. Japan is Malaysia's third largest export market as well as the biggest trading partner, accounting for some 20 per cent of the country's global trade.

Japan is also Malaysia's biggest foreign investor with total cumulative capital investment of RM25.3 billion between 1980 and October last year.

Dr Mahathir has said that deficit with Japan is a concern. After three consecutive years of surplus in 1985-87, Malaysia has since suffered a persistent deficit, growing from RM805.9 million in 1988 to RM29.5 billion in 1995.

Malaysia, of course is not an exception. Almost every nation that trades with Japan suffers a deficit. In the case of the US, threats and counter-threats have cumulated in a trade war between the two countries caused by a widening trade imbalance.

With Asean and other countries in Asia, Japan could be its beating drums for similar surpluses, although none of its Asean neighbours had issued any threats to address the situation. But the hope is that Tokyo will not wait for such a moment. Japan must realise that it is time to redress the trade imbalances, or face the consequences of becoming less popular among its Asian trading partners.

Quite apart from the bilateral ties that the countries continue to build on, Japan needs to elevate such a relationship to a higher plane; that is, moving towards more joint-collaboration in assisting third countries as well as promoting mutually beneficial sub-regional and wider regional interests.

Such sentiments are very much in tune with Malaysia's agenda. In the economic arena, for example, the 1994 trilateral joint venture between Malaysian and Japanese companies with Chinese firms for production of car engines and components in China should pave the way for more collaborative efforts elsewhere.

The Malaysia-Japan initiative could be expanded to assist other less developed countries, such as the Central Asian nations, in their efforts

in transforming their centralised economies to market economies.

Within the Asean sub-region, the development of growth triangles and other Asean cooperative schemes could be enhanced with Japanese participation in joint-venture investment.

On the wider regional level of cooperation such as the Asia-Pacific Economic Cooperation (Apec), Malaysia is indeed pleased that Japan has helped provide the balance which the developing Asian member countries had hoped for.

Japan, Malaysia and other East Asian members were able to work together to have the principle of "comprehensiveness" balanced with "flexibility".

Malaysia and the developing countries are also pleased that with strong Japanese support their efforts at seeking economic and technical cooperation in Apec were successfully reflected in the Osaka Action Agenda.

In the G-7, as Asia's sole representative, Malaysia and other Asian countries would like to see Japan in a position where it can ensure that the region's interests are well promoted.

Although Japan has been sitting on the fence with regards to the East Asia Economic Caucus (EAEC), Malaysia believes Japan will still play an active role in sub-regional dialogues and cooperation with Asean, China and South Korea.

And on its part, Malaysia will continue to attract Japanese investment in the future and the country will also become the centre of the production base for Japanese corporations in Asean.

However, being one of the most attractive countries for foreign investors, there would be a change in the future direction of Japanese investment in Malaysia amid the changing external environment.

Japanese corporations are likely to shift to Malaysia the production of the middle grade and some of the high grade electric and electronic machinery.

The research and development sector will likely shift its base with the aim of establishing a design facility. This takes into account both the local production capability and the anticipated needs of the Asian market.

Subsequently, the Japanese corporations are likely to shift further the production of already marketed products from Malaysia to other countries in the region, namely Indonesia, the Philippines and Vietnam.

This means that Japanese corporations will consider Malaysia as the centre of their production base in Asean and will take active steps to rebuild a division of labour within their production network in the region.

For this reason, it is anticipated that Japanese investment in Malaysia will continue to expand, and factories enlarged, particularly by the electric and electronics manufacturers.

(END)