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WILL JAPAN FLEX ECONOMIC MUSCLES?

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KUALA LUMPUR, Feb 10 (Bernama) -- It is a constant source of frustration for Asean member countries to see Japan not playing a role on the international economic stage befitting its position as the world's second biggest economy.

When countries like Thailand, Indonesia and Malaysia got entangled in their worst-ever economic crisis following the region's currency turmoil, Tokyo hardly flexed its sumo-like economic muscles to help rebuild confidence in the region where foreign direct investment from Japan is overwhelming.

Japan is a classic practitioner of what Malaysian prime minister Datuk Seri Dr Mahathir Mohamad calls the "prosper thy neighbour" policy. Its ubiquitous investments in the region have brought prosperity to Southeast Asians.

Killing two birds with one stone, the region has become a huge market place for Japanese products, and the Japanese even won a big morale victory when Malaysia came out with its pro-Japan "Look East" policy in the last decade.

But while Japan was forthcoming with its financial contributions to its Southeast Asian partners in various packages, there was little, if any, that Tokyo had done by way of playing a more active and positive role in helping the region's ailing economies in the months following the crisis last July.

It was against this backdrop that Deputy Prime Minister and Finance Minister Datuk Seri Anwar Ibrahim travelled to Tokyo over the weekend to, as some analysts would put it, wake up Tokyo in order to flex its economic muscles.

Anwar, at a news conference in Tokyo yesterday, regretted that the region did not see any effective Japanese presence in the last two months compared with the United States, which sent high-profile delegations to Malaysia, Indonesia and Thailand on confidence-building missions.

But after talks he held with Japanese officials including Finance Minister Hikaru Matsunaga during his four-day visit, Anwar was reportedly pleased that Japan was heeding Malaysia's call for it to take on the leadership in the region, not only through making reforms but by making its presence more pronounced.

He was also happy to report that Japan's ruling Liberal Democratic Party would send a delegation to Indonesia while the Japanese Finance Ministry would send two missions to the region soon.

According to Anwar, Japan had shown seriousness in addressing substantive issues in the region, undertaken additional measures in Indonesia--the worst-hit Asean member by the crisis -- and other measures to boost confidence in the region's battered currency and stock markets.

Anwar is also convinced that Japan has the political leadership to undertake long-overdue political reforms to stimulate what it describes as its "stagnant" economy and expand its markets, thus enabling it to play a leadership role in the region.

As many officials from this region and elsewhere who had had the occasion to negotiate with Japanese politicians and civil servants could vouch, the task was never an easy one.

This has sometimes been attributed to the Japanese culture of not

saying things frankly or forthrightly, apparently not to offend or embarrass their guests or hosts.

One example of this was the Japanese lukewarm response to Malaysia's proposal for the East Asia Economic Caucus (EAEC), a loose consultative forum linking Asean with the big economies of Northeast Asia (Japan, China and South Korea).

EAEC did not take off the ground because Japan, heeding opposition from the US which saw it as budding trade bloc, did not give it the support it needed.

But this time, Anwar has been able to achieve the objective of his working visit to Japan -- getting Japan to play a more active role in assisting the region's ailing economies.

The most significant achievement, which Anwar described as a breakthrough, was that Japan had agreed that its trade with Malaysia and Singapore be paid in yen instead of the US dollar, whose unabated rise was the cause of much of the region's economic woes.

It was a breakthrough for Asean's initiative, led by Malaysia, to promote the use of regional currencies for intra-Asean trade, which has already won the support of the Philippines and Thailand.

It was a big boost in efforts to revive the ailing economies with Japan's direct involvement seen as auguring well for the Asean currency proposal.

Japan's commitment to play a more active and positive role to help the region which Anwar was able to extract, also fits in well with America's own anxiety about Tokyo's position vis-a-vis the economic crisis.

US Ambassador to Malaysia John Malott told Bernama that building confidence in the region was not and should not be the role of the US alone.

" We are not the only economic centre of the world. Collectively, Europe is a larger economy and Japan is the second largest.

" Japan has a responsibility and Europe has a responsibility as well," said Malott of the recent spate of visits by senior US officials to Malaysia and other countries of the region in the aftermath of the crisis.

And as he bluntly put it: " It's not America's task alone to fix the problems of Asia".

But the encouraging outcome of the just-concluded visit to Japan by Anwar could very well be a new source of optimism in Southeast Asia that Japan might at long last come out of America's shadow.--BERNAMA

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