

# Japan's role

Nst 19 JAN 2001

**Text of speech by Prime Minister Datuk Seri Dr Mahathir Mohamad at the conference organised by the *Mainichi Shimbun* newspaper at the Osaka International Convention Centre in Osaka, Japan, yesterday.**

I HAVE been asked to talk on the subject of promoting mutual understanding between Asia and Japan, especially Kansai. I will try my best to do this but you must excuse me if I stray a little and go beyond Asia in an effort to paint a better background on mutual understanding and the relations between nations.

In the history of the world there have been many obscure countries and people who suddenly emerged, developed and prospered to build great nations, empires and civilisations only to crumble, decline and fall after decades or even centuries of greatness.

At the height of their power and prosperity they, and many who were their contemporaries believed, that they and their greatness would last forever.

The Persians, Greeks, Romans, Mongols and others all believed their civilisations would be permanent. The British used to make treaties with the Malay states to last as long as there is the sun, the moon and the stars in the heavens.

But we all know that they all crumbled and declined and are today hardly shadows of their former selves.

Japan which began to copy the West during the Meiji Period not only acquired striped pants and morning coats, but also the idea of securing supply lines through a Western style empire. It did not last long but it has not cured the Japanese people of wanting to copy the West.

Today Japan is copying the ideologies and the economic management systems of the West. I suspect that just as the Japanese East Asian Empire ended in disaster, the Japanese copy of Western ideologies and systems will have the same end result.

Today Japan is copying the United States. America is a great democratic and free country. When they won the Pacific War and freed us from Japanese imperialism, I thought I would forever be pro-American.

But the Americans have changed. They are no longer the liberators. They have become the dominators. It is sad to see the American Embassy in Kuala Lumpur surrounded by concrete walls now where before only the Russian and Chinese Em-

bassies had such walls.

Why do so many people seem to want to do harm to the Americans? Whatever may be the reason, if they are so disliked, is it wise to copy them?

We understand why Japan is beholden to America but 50 years is a long time to be morally obliged to anyone.

While there are many things American which Japan needs to follow, there are also many which Japan should reject.

Not everything American is bad, of course. Japan used to produce inferior cheap goods. The American taught Japan to switch to high quality goods instead.

But Japan did not accept the other American business practices, especially with regard to pricing. Japan continued to believe in low prices and market share. This combined with high quality was an unbeatable formula which fuelled Japan's growth by at times double digits.

There were other Japanese practices which were retained, including close co-operation between public and private sectors, the disciplined work force and cradle to grave employment. The result was cheap high quality goods which even the poor people in the poor countries were able to enjoy.

Left to themselves the developed West would have produced high-priced products which their people could afford but the poor countries could not.

As their workers demanded even higher wages, their goods would increase in price, forcing the poor countries to sell more raw materials in order to pay for less and less manufactured imports.

The West did not take kindly to the Japanese invasion of their markets, but the poor of the world were ever grateful.

Take away the Japanese cars and appliances and the poor would revert to a primitive lifestyle chopping down trees for firewood and walking or cycling to work.

Countries like Malaysia are even more grateful because as you became more affluent and your cost rose, you shifted your production to low cost countries, including Malaysia.

We wanted to industrialise because we could not depend on producing and selling tin and rubber only. We needed jobs for

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our people.

Among the very first few factories set up by Japanese corporations was Matsushita. Today every major Japanese corporation has plants producing the most sophisticated products in Malaysia.

We are now fully industrialised with 82 per cent of our exports made up of manufactured goods. Japanese co-operation with its poorer neighbours has been meaningful and fruitful.

What is the lesson to be learnt from the modernisation of Japan's industrial capacity? It is that learning from the West need not be total. Copy the quality but not the price, margins or market share.

If Japan had gone totally West it would not have been able to compete in the world market. If Japan had priced its goods the way the West priced their goods, it is certain that Japan would not have conquered the world's market.

By retaining the essentials of Japanese marketing strategy, Japan rapidly became the second biggest economy in the world.

Now Japan is trying to emulate the West 100 per cent. In politics, economy and financial management Japan is discarding all its old practices in favour of Western methods and standards.

Japan has discarded lifetime employment, co-operation between the Government and the private sector, regional co-operation, ideology etc. Even Japanese youths want to be blondes, work less and play more. The traditional Japanese and Eastern culture is being discarded and replaced with Western disregard for filial piety and discipline.

The present economic problem that you seem unable to overcome is due almost entirely to your attempt to adopt *in toto* Western practices and Western norms.

The damage would not be so great and so intractable if the process had been gradual. But Japan is trying to change everything overnight. Change is always disruptive but instant or rapid massive change is the most disruptive of all.

Japan and Japanese ways of doing things are not all wrong. They have paid off very handsomely. They can still pay off if you retain the good practices and discard the bad.

Besides, look at how many times the West has been proved wrong. After a thousand years of ineffective and oppressive divine rights of kings and feudalism they decided to chop off the heads of their kings and become republics.

Hundreds of thousands of lives were lost in the process but still there was oppression of the many by a few. They decided that the rich capitalists were doing this and they invented Socialism and Communism.

After more than one century of trying to make these ideologies work they decided that absolute equality did not bring about heaven on earth. They then threw out these perfect systems they had invented and in-

ple.

The West has conceived, promoted, practised and discarded any number of their perfect ideas and systems. It is most unlikely that their current ideas or systems are going to be any better.

One day they will condemn and discard their latest craze, i.e., liberal democracy and the free market. But the cost will again be high, higher perhaps for those who swallowed their ideas and systems unthinkingly.

We in Malaysia have good reason to doubt the new Western recipe for the world. We have been the victim and we have seen others suffer even worse from the latest Western ideas and concepts.

And so all of us should put our heads together to examine liberal democracy and the unfettered market in a borderless world and to determine what we should accept, what we should reject and what we should modify.

East Asia is concerned about Japan's economic health. Malaysia made it clear that Japan is its model. Others in the East may not admit it but they, too, used Japan as a model. Indeed it was Japan's success which encouraged their faith in themselves.

And so we are distressed when Japan showed signs of failing and for more than a

There can be no doubt that the tremendous growth achieved through the application of indigenous methods and practices have benefited the countries and the people greatly.

Rigid, forced application of Western formulas has not helped. We should be selective and accept only the good and reject the bad. Globalisation, for example, is great but in its present form it is benefiting the rich and the powerful only.

We cannot enrich the whole world through present methods of globalisation because it is based on dominance of the rich and the powerful over the poor and the weak.

For East Asia to recover faster, Japan must play a big role. Japan has the financial strength and the technology to contribute towards East Asia's recovery and growth.

It is said that a major cause of Japan's inability to recover is the unwillingness of the Japanese to consume. Well, East Asia can consume what Japan produces, more if Japan helps East Asia to prosper again.

Please go back to your old strategy of producing high quality low cost goods and you can sell much of what you produce to East Asia.

You don't have to stop trading with Eu-

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decade seemed unable to pull out of the recession. We are even more distressed when Japan seems to value its relations with America, in particular more than with East Asia.

Many of us think that if Japan and the East Asian countries work together we can even come up with a model of co-operation for mutual good for the rest of the world. And that will include the development of a financial architecture and regime for international trade.

I am not a believer in the Asian century. I believe this century should be the century of the world. We all need each other. If we enrich all the countries in the world, the countries of Africa, Latin America and South Pacific included, we will have a fantastically rich market, which can only enrich every country. It is not easy, it will take time and patience but it can be done.

But before we can be instrumental in enriching the world we, the countries of East Asia, must rekindle our dynamism to enrich ourselves first.

For East Asia to recover and once again achieve miracles of growth, the

rope and America but we will provide you with a big additional market. But first help us to recover by investing in our countries and setting up the Asian Monetary Fund.

Japan understands Asia and East Asia better than the West, except when it chooses to listen to those people who do not understand Asians. Learn about us through your own news gathering network.

If you rely on existing news networks you will miss myriads of opportunities. If you get truthful reports you will help create better understanding not only between you and us but also between East Asian and Asian countries.

Malaysia believes in prospering our neighbours, especially those adjoining our country.

The reason is simple enough. Prosperous neighbours are less likely to give us trouble. On the other hand they make good trading partners, an activity that will be mutually enriching.

Clearly a policy of good positive neighbourliness is good for everyone. On the

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other hand a policy of extracting and even destroying the wealth of neighbours benefits no one, not the destroyer nor the destroyed.

This is what happened when the currency traders devalued the currencies of East Asian countries in order to make huge quick profits for themselves. By destroying the economies of the prosperous East Asian countries they have destroyed one of the richest markets of the West.

Similarly the present concept of globalisation will destroy more than it will build. For example, Britain allowed its automobile industry to be owned by foreigners because the foreign companies were bigger and more efficient.

Now, one by one, the British plants are being closed down. Cars can be more efficiently produced in Germany and America. The result is unemployment for thousands of British workers. However, they get unemployment benefits. Developing countries like Malaysia cannot afford this safety net.

Efficiency also demands that American plants be closed and all the cars made by efficient German workers and exported to America.

What about American workers? Well, that is not the problem of Daimler. It is the problem for the American Government to solve.

Compare this manifestation of globalisation and market forces with the concept of prospering neighbours in East Asia.

Perhaps more Malaysian workers would be needed to produce the same amount of quality goods as Japanese workers. Perhaps they may even take a longer time. But they are lower-cost labour.

In the end lesser efficiency does not cost any more than higher efficiency. But look at the social benefits. Relatively speaking the Malaysians are much better off than they were before; they are now good consumers of imported goods and they don't have to migrate to rich countries.

The benefits of good neighbourliness are endless. Even within a country, consideration for the less developed region yield good benefits for all.

In 1961, when I visited Japan for

the first time, hosted by Takeda Pharmaceutical, the Kansai area was experiencing its first boom.

I was amazed to see a Matsushita factory stuck right in the middle of a rice field. Today, it is the centre of a bustling industrial area. There are no rice fields anywhere close.

Japan's recovery after the war was widespread. Some of the most dynamic businessmen and industrialists were from the Kansai area. The economy of Kansai has become bigger than many independent developing countries and even some developed countries.

While Japan's overall recovery would contribute to Kansai's recovery and growth, Kansai is big enough to conduct its own campaign to effect its own economic rehabilitation.

Again, the approach should be the same. Kansai need not try to totally Westernise its business practices.

Kansai business organisations and local governments should develop relations with the countries of Asia, particularly East Asia.

If you work on the premise of prospering your neighbour, I am sure you will reap the same benefits mentioned before.

There should also be more cultural interaction between Kansai and the countries of Asia. There must be more visits by your leaders and industrialists and you must receive more visits by your counterparts in Asia. Better understanding would be the result.

Kansai, like the rest of Japan is seeing an aging population. Life in Japan for the aged can be hard and costly.

There was once a project to settle your old people in other countries. But old people do not wish to be cut off completely from the land of their birth. They would not mind a reasonable sojourn in other countries, but not for the rest of their lives.

Countries in Asia are prepared to play host to the old people of Japan. On their pensions it would be possible for them to enjoy Japanese standards of living and still have enough to make regular visits back to Japan.

I am not trying to promote the tourist industry for East Asian countries. I sincerely believe that the so-called Silver-haired pro-

gramme will contribute towards good understanding and relations between the countries involved.

Even though the old people are retired they can still come in close contact with people from the host countries. Such contacts will result in better understanding if well managed.

Governments cannot leave this to the private sector alone. There is a lot the Governments can do to facilitate such sojourn overseas.

The values presently being promoted are those of confrontation, competition and exploitation. In these approaches there will be winners and losers. Always there will be someone to pay the price.

For example, strikes and lockouts are tests of strength in order to settle disputes. They are destructive and primitive. They are premised on might being always right. Civilised people should know that this is not so.

It is the same in business and in

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but if the recipients are not skilful, such aid will only be dissipated on wasteful things.

Investments, however, go directly to the workers. And the governments of the poor countries will get their taxes too.

Of course it is not so simple. But if there must be universal values then Asia should participate in formulating them based not on the survival and enrichment of the fittest, but on spreading wealth to enrich the whole world, on a win-win prosperity-neighbour principle.

Asian values should form the basis of these new universal values. We have to begin in Asia. We have to begin in East Asia.

We have to begin here because we have shown that we have the right approach to the enrichment of our peoples.

By co-operating with each other, trading, investing, transferring technologies and actually carrying out voluntary services on a massive scale, we can transform East-Asia into a region of wealthy nations where there will be no poverty.

Together we should show the world that in the affairs of our countries and in our relations with each other we need not compete to the death.

Rather we should help upgrade the co-operation between each other so that all can share in the wealth generated. And as we prosper we will create the greatest market in the world, for us and for the world. •

Governments are not anachronistic. The idea that the market knows best is promoted by those who dominate the market and want their financial strength to determine what is best for themselves.

They do not want governments concerned over the social cost of their predatory activities to stand

vive and prosper.

By coming together and standing up against unfettered predatory capitalism and the absolutely free market that it wants to impose on the world, by offering alternative systems and code of ethics, Asia and, in particular East Asia with Japan playing a leading role, can prevent the headlong rush towards destruction which the current Western model will certainly lead us to.

Remember the destruction of the world's economy and the millions of deaths that the Western socialist ideology had led to in the past.

Let us not allow another of the West's 'perfect systems' to bring about the same catastrophes. Only Asia is in a position to offer alternatives and Japan together with East Asia must proffer their solutions to the world's financial and economic problems and so ensure better relations between the nations of the world.

Japan and Asia must work together for a better world where economic battles to the death are replaced by friendship and understanding, mutual respect and mutual gains.

If we want to build mutual understanding between Asia and Japan, it must not be exclusively for our own good.

It must also be for the purpose of showing to the rest of the world that mutual understanding is better than the imposition of foreign values and methods on people who are not ready for them.

Prospering each other is far better than forcing down the throats of others the perfect values and ideologies that you have conceived. Remember how in the end you yourselves have in the past rejected those values and ideologies. And remember the cost that had to be paid.

As I said at the beginning I would stay away from the scope of any

governments now. The mergers and acquisitions that we are seeing now is to enhance strength and competitiveness.

Similarly the ganging up of the rich countries in the WTO against the poor countries. The social cost of this confrontational 'winner takes all' approach will be very high.

Is this the wonderful new world that we are creating? Yet we see Asian countries and Japan blindly accepting these values as God-given, and we do not question them, for fear of being labelled heretics.

Today the world is fantastically rich. The combination of human ingenuity and natural resources has so enriched the world that no one really needs to be poor.

It is normal in civilised society to tax the rich and help the poor. But it is not so in the community of nations. The so-called aid given to poor nations has made them permanent debt slaves of the rich. Are we going to go on with this beggar-thy-neighbour confrontational policy?

Japan and Asia must rethink human values. We should lead the way in devising new values and

in the way. The free market is about maximising profits. Nothing else matters.

If the economy of countries has to be destroyed in order to make

subject. This I do because I believe that the prosperous must help those who are not.

It is not good for Japan and Asia to become prosperous through mu-

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