

15/12/2002

Look East to look ahead

AFTER two decades, Malaysia's debt to the Look East Policy remains durable, although a little dusty. The critics were wrong: downtown Kuala Lumpur has not been colonised by karaoke lounges, sushi bars and pachinko parlours. The boosters were right, but largely in ways they did not expect. Japanese trade and investment opened the way for a wider-ranging trade and foreign investment boom that lifted the country into the world's 18th largest trader and, at one point in the late 1990s, the biggest per capita recipient of FDI.

To its Western critics, the shine on the Japanese economic model has dulled since its asset-bubble burst in the early 1990s. The Asian currency crisis of 1997 added further deflationary pressures to a lynchpin regional giant already on the brink of "crisis". Free market theorists eager to get back at a parvenu Asian power-house, whose vast credit surplus looked poised to take over Wall Street in the previous decade, gloated - Japan's fabled economy was stuck between its "catch-up" past and a "post-industrial" future. Their solution was "reform": say sayonara to Japan Inc and restructure the economy to promote competition and risk-taking. In other words, make the distinctive Japanese economy less regulated, more globalised, more "Western".

Some of the critique is not too far off the mark, as most Japanese know only too well. But the most dire predictions of crisis have fizzled, proving that plenty can still be mined from the consensus between government and business. The direst of them all - deflation - has not come about, nor is it likely to. According to the Economist: "Rather than tumbling, however, the economy seems to be settling comfortably into the state in which it has spent most of the past decade: flat on its back and half asleep."

For Malaysia, the question is whether this apparently supine Japan merits a vigorous reappraisal of the Japanese example or whether the Japanese-inspired "newly industrialising countries" of East Asia should look else-where for leadership. The answer to both is no. Even in the pit of recession, the world's second largest economy remains as vital as ever - if only the Japanese themselves can be equally persuaded. At his speech in Tokyo to commemorate the 20th anniversary of the Look East policy, Datuk Seri Dr Mahathir Mohamad said, to resounding applause: "The people of East Asia had been Looking East even when they looked up to the West. Japan's success in modernising gave them hope. They believed they could become as good as Japan."

They still do. Look East, or *toho seisaku*, was heartily embraced by Japan, which had been turned by post-war guilt into a wallflower in world affairs. The snag, today as 20 years ago, remains Japanese half-heartedness. Although most of the initial complaints about Japanese firms' stinginess have flowed under the bridge, East Asian countries' impatience with Japan still rests on its inconfident habit of looking, and bowing, West. When Malaysia proposed the East Asia Economic Caucus, in response to growing regionalism in North America and Europe and rich country foot-dragging at the Uruguay Round of the General Agreement on Tariffs and Trade (GATT, the precursor of the World Trade Organisation), Japan demurred, citing a commitment to multilateral trade and an aversion to economic "blocs".

Thankfully, the Japanese are changing. A reforming Japan - whose

national interests have been sharpened by recession - has proved much more amenable to free trade deals with individual countries in Asean, including Malaysia, as well as to the construction of a free trade area in the region. Nevertheless, Malaysia still waits for a new-model Japan which can say yes to its rightful and deserved place in the world.