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Where Asia must play catch-up

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THERE is little doubt Malaysia's close relationship with Japan will continue when Datuk Seri Abdullah Ahmad Badawi becomes Prime Minister in November.

Apart from having a Japanese personal relationship, Pak Lah was also the original Minister in the Prime Minister's Department responsible for the "Look East Policy" when Datuk Seri Dr Mahathir Mohamad introduced it over 20 years ago.

Even more than that, there is an overwhelming Asian logic to the "Look East Policy" which Dr Mahathir foresaw many years ago, which Pak Lah underscored in his keynote address at the Majeca-Jameca (Malaysia-Japan Economic Association - Japan-Malaysia Economic Association) 24th joint conference in Tokyo last Thursday, and which the Japanese themselves, rather belatedly, are recognising in the bright light of American unilateralism.

In her inimitable fashion, Datuk Seri Rafidah Aziz, Minister of International Trade and Industry, reminded the Japanese at the conference that it was Japan that did not go along with Dr Mahathir's proposal to establish the East Asia Economic Caucus (EAEC) in the last decade - because of American pressure against it.

Now it is the Japanese who are clamouring for close Asian economic association, even bemoaning the fact that Asia is "missing out" on the kind of political will that is driving the European Union (EU) and Nafta (North American Free Trade Area) ever closer together.

Even allowing for different regional historical experiences and geopolitical situations, there is no gainsaying that Asia is far behind the economic bloc constellations, and risks becoming a pawn in the world regional chess game, as Asian countries are picked out one by one.

While it is true the EU - which has had a long run-in in the integration process - and its members share a broadly common cultural tradition, it is equally true there have been violent conflicts between various member states in the not so distant past.

It was the French-German entente after World War II, the political will driven by De Gaulle and Adenauer, that got the Common Market set up which has progressed into the European Economic Community and, now, the EU.

Asia needs such leadership and political will and, sadly, as I observed last week, the best placed state to provide it - Japan, the second largest economy in the world - is not willing to play that role.

Dr Mahathir has shown the imagination and prescience when he said Asia must get together to carve out its own future in this difficult world, but Malaysia is only a medium-sized country which can punch above its weight only up to a point.

We badly needed Japan's support and leadership to get the EAEC idea going, and today we are not much further forward.

Even China cannot, at this point, take the lead, as it is still only an emerging economic giant. Time, Asia does not have. Japan must play that role.

Ironically, it was the Japanese, in the person of Professor Sakakibara, the former "Mr Yen", who emphasised the need at the Majeca-Jameca conference for regional integration, even if he focused only on Asean.

Sure, Asean has to move forward faster, and start to think already of the post-Asean Free Trade Area (Afta) world.

As Sakakibara pointed out, Japanese investment in China is 3.5 times more than in Asean. Unless Asean becomes one, integrated economic player, the pull of China would always be greater than the Japanese push into Asean.

But, just imagine what the whole East Asian integrated market would be like if all the Asean plus other Asian states' arrangement coalesced into the logical EAEC, with Japan, China, Taiwan and Korea joining forces with the Asean 10.

If the economic logic applies to Asean, it applies even more to East Asia. Japan must come out of the closet.

It could begin right now by really making a go of the moves that are now taking place to establish the East Asian Bond Market.

As the Minister of Finance II, Datuk Dr Jamaludin Jarjis observed, this is a worthy Asian effort as, after all, it would be largely Asian savings and reserves that would be mobilised to finance Asian development.

It is good to hear that Japan is playing ball on this one.

I have always held that the flow of such Asian savings and reserves should be tapped in situ, here in Asia, before they go on that long, circuitous route to Western metropolitan capital centres, with intermediation costs piled on, to come back to us as foreign capital at higher charge.

Asia must wake up to this idiocy. While we cannot replace the Western capital markets overnight, it does not mean we should not develop our own in the meanwhile.

Asians must believe in themselves, otherwise we will only show that we have not come very far from the point where the European colonial masters had divided us, made us feel inferior, and only believe in the European ability to give the best.

The American and European financial institutions and investment banks we so believe in, are a burden to our development which should be lightened by developing and believing in our own, of similar size.

Actually, and increasingly, it is our Asian professionals who turn the wheels in those institutions we so highly regard because they are European.

We actually have the people to run our own institutions, at cheaper cost, thus releasing value for investment and development.

Thus, even as we seek broader and deeper East Asian integration, there are also functional areas, such as in the capital markets, for meaningful co-operation which would throw up the evident benefits of integrated Asian