



No. 17 (June) 2000

**The Japanese Model and Southeast Asia
Beyond the Asian Crisis**

Lee Poh Ping

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Universiti Kebangsaan Malaysia, 2000

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Diterbitkan di Malaysia oleh / *Published in Malaysia by*
Institut Kajian Malaysia dan Antarabangsa
Universiti Kebangsaan Malaysia
43600 UKM Bangi, Selangor D. E. Malaysia

Dicetak di Malaysia oleh / *Printed in Malaysia by*
SAI DIGITEK
121, Jalan Langat 2, Taman Sri Langat
43000 Kajang, Selangor.

Perpustakaan Negara Malaysia Data-Pengkatalogan-dalam-Penerbitan
Cataloguing-in-Publication-Data

Lee, Poh Ping
The Japanese model and Southeast Asia: beyond the Asian crisis/
Lee Poh Ping.
(Siri kertas kerja / working paper series; 17)
ISBN 983-2365-00-7
1. International business enterprises-Asia, Southeastern.
2. Corporations, Japanese-Asia, Southeastern. 3. Financial crisis--
Asia, Southeastern, I. Judul. II. Series.
338.88952059

Siri Kertas Kerja / *Working Paper Series*

Institut Kajian Malaysia dan Antarabangsa
(Institute of Malaysian and International Studies)

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The Japanese Model and Southeast Asia Beyond the Asian Crisis

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The Japanese Model and Southeast Asia Beyond the Asian Crisis

Abstract

Two recent developments have greatly tarnished the Japanese model for Southeast Asia. One is the prolonged Japanese recession and the other is the Asian financial crisis. Both would indicate that Southeast Asians could do better if they had embraced Anglo-American capitalism. While this is not without validity, this paper nevertheless argues that the Japanese model should not be considered a failure entirely. This paper distinguishes between that aspect of the model which brought about high economic growth, managerial and technological innovations, and the conquest of world markets from the other aspects which pertain to the socio-cultural and developmental. The former achievements are now much in doubt while the latter aspects still have some appeal with Southeast Asians. The paper ends with some reflections on the future of the model.

Model Jepun dan Asia Tenggara: Selepas Krisis Asia

Abstrak

Dua perkembangan baru-baru ini telah menjejaskan imej model Jepun di Asia Tenggara. Perkembangan pertama ialah kemerosotan ekonomi Jepun yang berterusan manakala perkembangan kedua ialah krisis kewangan Asia. Keduanya melahirkan kepercayaan bahawa kapitalisme Anglo-Amerika adalah lebih baik daripada model Jepun untuk Asia Tenggara. Ini ada kebenarannya tetapi model Jepun tidak boleh dianggap sebagai gagal sepenuhnya. Makalah ini membezakan aspek yang terdapat dalam model Jepun yang membawa pertumbuhan ekonomi yang tinggi, inovasi pengurusan dan teknologi, serta penguasaan pasaran dunia di satu pihak daripada aspek-aspek yang berkaitan dengan sosiobudaya dan pembangunan di pihak lain. Sementara keupayaan aspek pertama dalam model itu kini diragui tetapi aspek-aspek lain masih mempunyai kerelevanan untuk Asia Tenggara. Makalah ini diakhiri dengan memberi gambaran ringkas tentang masa depan model ini.

The Japanese Model and Southeast Asia: Beyond the Asian Crisis

In the seventies and eighties, Southeast Asia, and indeed many parts of the world, were fascinated by the Japanese model. Many Southeast Asians were awestruck by how Japan on one hand developed an economy that could achieve high growth, pioneer certain technologies and management methods and conquer many world markets, while on the other hand constructed a society relatively free of crime, drug addicts and many of the social ills then plaguing Western societies. They were thus very keen to emulate Japan. Singapore for example launched a 'learn from Japan' campaign in 1978 while Malaysia began a 'Look East' policy in 1982. Many other Southeast Asian countries, while not having national campaigns, nevertheless expressed interest in imitating certain aspects of the model.

Two developments were to tarnish greatly this model. One was the prolonged Japanese recession, which began, in the early nineties. Japan has yet to recover completely. This recession together with other events such as the scandals surrounding the handling of the HIV problem and the Jusen bailout, the ineffectiveness of the police to deal with the Aum Shinryu Kyo and the slow bureaucratic response to the 1995 Kobe earthquake revealed to many that the Japanese model was not what it was cracked up to be.

The second was the Asian financial crisis. Beginning in 1997, this crisis wreaked havoc with many Southeast Asian economies. Many observers, particularly Westerners, attributed the cause of this crisis to Southeast Asian practices of 'crony capitalism' (whatever this might mean), excessive government intervention in the economy instead of letting the market decide, and so on. These observers contend that such practices originated from a Southeast Asian political and economic system that either derived its inspiration from Japan or contained many features not dissimilar to it. These conclude that if Southeast Asia, or indeed Japan, were to recover, they should abandon the Japan Incorporated model and move towards Anglo-American capitalism.

It must be said these observers have a powerful point. If Japan and Southeast Asia had practiced more open economies, in particular if

such economies had been more responsive to markets signals, they could have avoided the recession and the crisis. Moreover if both were to adapt to the era of financial globalization and the information revolution, such as are now apparently powering America's 'new economy', the adoption of an Anglo-American system could be unavoidable.

Yet there is strong resistance in many Southeast Asian countries, particularly Malaysia, and I suspect, also among many quarters in Japan, to a full embrace of the Anglo-American model. In part because these opinion makers fear the social costs (they saw what happened in Indonesia after the IMF programmes were implemented), and in part, they, particularly Malaysia, believe such an embrace could lead to a modern form of colonialism. Moreover some might argue that one could still achieve growth without fully adopting Anglo-American capitalism while continuing with some form of the Japanese model.

Given such reservations about Anglo-American capitalism, this paper attempts to assess the continuing relevance, or lack, of the Japanese model, and in keeping with the aim of the symposium, suggests some implications for Japan and Southeast Asian cooperation.

It has first to be stated that the Anglo-American and Japanese models are much more complex than what are here considered. There are significant variables within any model such as that between that American model which had absorbed some Japanese features such as what the American auto companies did, and the prototypical Anglo-American model. Even those often lumped under the Japanese model, such as those systems practiced in Taiwan and South Korea, have different features of some significance. The Taiwanese economy is dominated by small and medium industries while the Korean economy is greatly influenced by heavy industries that are run by conglomerates known as the chaebols. Moreover a model might not accord totally with the reality. For example, a key feature of the Japanese model is lifelong employment. Yet in reality this primarily applies to key employees in the big firms and not to women and lower level-employees such as janitors, guards and so on (Vogel 1985). Such key employees may even be less than half of the total employees of these big firms. Thus, it is in the general sense that these two models are considered, something like what Chalmers Johnson (1982) said of the *lassaiz faire* model or Anglo-American model as being 'market rational' whereby the state is used primarily for regulating the economy while the Japanese model has the state used for substantive ends as for example, in the targeting of industries for

state prescribed purposes. I have also extended the Japanese model beyond the role of the state to include also the manner in which the private sector is organized, particularly that of the 'Keiretsu' system and the practice of what may be called 'company welfarism' (Van Wolferen 1989: 46). The keiretsu is considered because its system of engendering solidarity in its grouping such as through cross directorships and cross shareholdings on one hand and through cultivating the spirit of group endeavour on the other hand enables it to plan for the long term. The solidarity between bank and other firms in a particular keiretsu, for example, allows for liberal loans from the bank to these firms as to reduce the dependence of such firms on shareholdings. There is less of the need, unlike most American and Western firms, to make reports quarterly or in some short period. The pressure for quick profitability is thus less urgent. This enables these Japanese firms then to concentrate on winning market share. Company welfarism such as involving lifetime employment, seniority and enterprise unions for example can aid economic performance as such practices induce greater labour commitments, reduce strikes, help innovation, achieve better quality control and so on.

Thus to begin with, a distinction is made between the capacity of the model to deliver the results which have made this model justly famous, and those aspects of the model which pertain to the developmental and socio-cultural. The former as mentioned are a high growth rate of the economy, the pioneering of new technologies and management methods and the conquest of world markets. The latter pertain to the developmental role of the state and the maintenance of social stability and the core values of society. Such aspects are also related to the capacity of the model to deliver results. As an example, it can be argued that the cultural value of a firm showing loyalty to an employee by not firing him during lean times, can motivate such an employee to work harder. This will enable the firm to recover and to bring about better performance. But for our purposes they will be made distinct.

Declining Capacity

There are some developments that attest to the declining capacity of the Japanese model to produce results. One, as mentioned previously, is the length of the Japanese recession. The Japan of the 1990's and beyond is no longer achieving the high growth of the previous decades of the 1960s, 1970s and 1980s. Indeed it is trying hard to avoid a contraction of its economy. Where growth is achieved, it is at a very low rate. Second.

Japanese exports in what is called the three C's (cars, computers and cassettes) are no longer sweeping away competition that was in their path. A good case in point is the automobile industry. At one stage there was talk not only of Detroit being destroyed by Japanese automobile exports but indeed of western civilization being threatened! While Japan still remains a formidable exporting power, there is less of such apocalyptic doomsday talk by Westerners now. Indeed the shoe may be somewhat on the other foot. Renault, a car firm coming from a country, France, where alarmist talk of a Japanese automobile invasion has been perhaps the most strident, has bought over a large chunk of Nissan, the second largest Japanese automobile company. And of all things, it has put one of its executives to revamp Nissan operations, a far cry from those days when Western adoption of Japanese management methods was all the rage!

Moreover, the keiretsu and company welfarism, because of certain global changes, are now perceived to be more of a drag than a boon to the effectiveness of the model. Precisely because the keiretsu system need not be responsive to shareholders' demands, it is increasingly believed, Japanese firms have created overcapacity, making it increasingly difficult to maintain full employment. This difficulty is compounded by the long-term commitment to the employees.

By contrast, the United States, once seen to be saddled with a declining economy and many other societal weaknesses at a time when admiration of the Japanese model was at its highest, is now not only achieving a high rate of growth (by the standards of industrial economies) but also at a sustained one it is, perhaps the longest growth in peacetime. Not only has the United States caught up in some of the technologies that powered the Japanese economy but is now in the forefront in utilizing the information revolution for its economy.

Thus the recent remarks by the senior minister of Singapore Lee Kuan Yew in a meeting in Japan that Japanese firms should respond more to market signals echo the view of many Southeast Asians that the Japanese economy is no longer a great performer.

There are many reasons for the declining effectiveness of the Japanese model. One is the adaptability, or lack, of the model to the information revolution. While Japan had achieved great success in the manufacture of computer hardware, its record in software is less sterling. Except for Sony and perhaps a few others, Japan has nothing like the plethora of successful American software giants such as Microsoft, and

so on, not to mention internet companies such as Yahoo, Amazon dot com and others. The technology of the future is clearly American dominated, with Japan behind. It may be that the creativity needed to be successful in the information revolution is not simply a matter of the right state and business cooperation but of philosophical and educational considerations. Creativity, it is said, results from an individualism (for which the Americans have in abundance) which the Japanese lack. Japanese are always told to conform ('the nail that sticks out will be hammered down'). Conformity stifles creativity, so many believe. Similarly some might argue that an educational system, found also in many other Asian systems, that emphasizes rote learning rather than independent thinking, will not produce many Nobel Prize winners. Whatever the reasons, they do not hide the fact that Japan Incorporated is not conducive, nay, may even be a hindrance to adapting to the information revolution.

It is pertinent to note that two of the nations that were very gung-ho not too long ago about the Japanese model, Malaysia and Singapore, are not following any Japanese example in their recent attempts to harness the power of the information revolution. Malaysia a short while ago launched an ambitious project called the multimedia super corridor or the MSC. The idea is to develop an area within Malaysia, in this case near Kuala Lumpur, where firms associated with information technology such as in teleconferencing, telemedicine, and so on would predominate. An international advisory board, consisting of the big players of the information age, has been set up by the Malaysian government to advise the government on the development of MSC. While there are some Japanese advisers on this board, the model here, in so far as there is any, is Silicon Valley in America. A local newspaper headline in Malaysia aptly captures this change in orientation when it describes Malaysia's attempt to achieve high technological status as moving from Malaysia incorporated to Malaysia dot.com!

Singapore's aim to create an 'intelligent island' or to wire itself as much as possible is even more ambitious as it is not confined to a particular area but the entire country, albeit a tiny one. It intends on one hand to create a group of technopreneurs, meaning entrepreneurs in high technology, that will power some kind of a 'new economy' in Singapore, if at all possible, to on the other hand, make its entire population literate in the use of technology.

Singaporeans are encouraged to own computers, use them in schools and for trading purposes and so on. If there is any model, it is not Japanese. Most likely it is Silicon Valley in America.

A second reason is financial globalization. The ability of the state to direct capital to preferred industries or to other areas is a very important factor in the state's effectiveness. That was the case with the financially regulated Japanese economy. But the increasing dominance of the Thatcher-Reagan neo-liberal philosophy beginning in the early 1980s of freer markets and deregulation has made it very difficult for countries to control capital movements, short of taking the most drastic steps such as capital control for example. This is particularly with Japan, which after the Yen revaluation of 1985 became so financially powerful that it was using its money to buy up a lot of things overseas, thus increasingly undercutting what justification it may have for regulating capital at home. As such, capital will move to where it gets the best return, undermining in the process, the state's ability to direct capital to business.

The third reason is that the managerial and technological advantages of Japan are replicable. For all that is said about the cultural uniqueness of Japanese business, it is nevertheless correct to say Japan has successfully transplanted much of its managerial technique to Japanese subsidiaries in America, particularly in the automobile industry. This is attested to by the success of Honda and Toyota plants in America. Even if these plants are not a hundred percent as good as in their home plants in Japan, they are not far behind. Similarly, American motor companies, such as General Motors and Ford are closing the gap with Japan by adopting Japanese methods, as their American counterparts in the Japanese transplants have done.

The final reason has to do with the end of the Cold War. During the Cold War, a common enemy, the Soviet Union, bound the U.S together with its Asian allies (such as South Korea, Japan and Taiwan). This constrained the United States from doing anything which could fundamentally affect the economies of these allies. The American market was then open. Little or no pressure was exerted on Japan for reciprocity. And in general, the United States turned a blind eye to the practices of what may be called the development state examples of which are Japan and the Asian allies. Not so now. All manner of retaliation has been threatened, and some have been implemented against Japanese exports because of Japan's alleged close market. It is also very much in guard against development state practices.

Socio-Cultural Aspects

If the social aspects, one of which is that of maintaining lifetime employment or of resisting pressure to retrench because of profit or market considerations, no longer play much of a part in the model's effectiveness, nevertheless these still serve the purpose of social stability. Retrenching employees is a deeply wrenching experience in any society, even in the United States. In the United States, there is tremendous labour mobility because of the structure of its economic system (it is no problem to move from one firm to another) and also of the opportunity a vast continent offers to those who will like to move. There is also a certain frontier split perhaps still lingering (a 'go west young man' kind of spirit). All these mitigate the harshness of retrenchment. The Japanese economic system is quite modern, but in the more traditional sectors such as those businesses still based on clan and pre-modern structures, labour mobility is limited. Retrenchment is a problem in the latter. A displaced employee will find difficulty finding employment in another premodern firm.

Related to this is the cultural aspect. Japan is a society that values harmony. This can be jeopardized by mass unemployment. But more to the point is the value Japan places on loyalty. If an employee has given his loyalty to a firm should he be sacked because of no fault of his own but of market conditions? Would such retrenchment not go against a value that Japan as a society has always put great weight on? After all one of the great classics of Japan is *Chusingura* (or *The 47 Ronin*) which revolves around the loyalty masterless samurais gave to their wronged Lord even to the extent of committing suicide!

It is not that American society finds no place for loyalty; Americans value personal loyalty and in many other ways but it has developed nothing like the tradition of loyalty in Japan.

Many Southeast Asian businesses, particularly among those of Chinese origin which are clan based also value loyalty. These are also loath to retrench employees who have given them loyalty for primarily market reasons.

If the role of the state in the economy is losing its effectiveness, does that mean the state should in Japan and Southeast Asia move towards the Anglo-American model of primarily ensuring efficiency? It is unlikely this will happen as far as in many countries of Southeast Asia are concerned as these countries still believe the state has a developmental

role in the process of bringing a developing country into a developed status. Many believe a completely *laissez-faire* economy will lead to big foreign multinationals dominating their economies whereby Southeast Asian countries would only become 'hewers of wood and drawers of water', i.e., reducing to doing only the most menial of tasks. Some countries, like Malaysia, believe a new form of colonialism can even result. One might think such paranoia is very outdated in this global age, and they might be right. Nevertheless Southeast Asian fears over this should not be underestimated. They see the state as a crucial institution in preventing this.

Some Thoughts on Japan and Southeast Asia

Despite what had been said, Japan can still serve as an example to Southeast Asia beyond the Japanese recession and the Asian crisis if it can manage the transition from Japan incorporated to the new realities, and still achieve high growth and social-cultural stability. If successful in this regard, Japan would have developed on Asian paradigm (if one can employ this much used but nevertheless appropriate word) that will be an alternative to Anglo-American capitalism.

The following areas in the Japanese transition should be of particular interest to Southeast Asians. One is the manner in which Japan manages the greater involvement of Western firms in its economy.

Japan and Southeast Asia in this regard are of course not completely the same. Japan for long had very minimal Western participation in its economy as a result of its relatively 'closed' system and that it could manage this 'closed' system successfully without Western help. Japan was also never colonized. Southeast Asia on the other hand had Western involvement from colonial days (Western firms developed much of the modern economy of Southeast Asia), an involvement which is still very great today. Nevertheless many Southeast Asian countries are able to develop many modern economic sectors without Western control, mostly through state intervention. And these Southeast Asian controlled economic sectors and Japan now face a Western onslaught different from before in that the traditional defenses against foreign involvement such as those associated with the national control of one's economic destiny no longer have much force in a post Cold War era, especially after Thatcher and Reagan. Also many Western firms are now armed with the latest advances of the information revolution.

How Japan balances its encouragement of its competitive firms without destroying its less competitive firms constitutes the second area of interest to Southeast Asians. One reason for the success of Japan Incorporated consists of the fact that many competitive Japanese firms are willing to pay high prices for things such as labour and other material, a payment which had kept many less competitive sectors alive. This apparently is no longer possible particularly as many competitive Japanese firms have relocated overseas thus reducing their 'subsidy' of less competitive ones. This among other reasons has caused, something of a crisis in Japan's economy.

Southeast Asia is in a similar predicament. There are many domestic Southeast Asian firms which are quite competitive but have been somewhat restrained by the state to ensure that too great a social gap does not develop. This is also complicated by the fact that many of these successful domestic firms are of a different ethnic group (mostly Chinese) from that of the less successful ones, reinforcing a social cleavage with an ethnic one. Yet the pressure of globalization would reduce the ability of the state to intervene on behalf of the weaker firm, thus creating possibly a social political crisis. A successful Japanese balance could provide useful lessons for Southeast Asia.

Finally, how Japan adapts to the information age would be of great interest to Southeast Asians. As mentioned earlier, Malaysia and Singapore look towards Silicon Valley. Yet if there were a successful Japanese example, it would help. Like Japan, Southeast Asian countries have educational systems stressing rote learning. Southeast Asians are conformist (though somewhat more individualistic than Japanese but much less so compared with Americans) and respectful of authority. Moreover they, like the Japanese, also look more towards the state for guidance even in high technology. Compare this to America where Silicon Valley is private sector inspired. For example, the Malaysian multimedia super corridor is state led. So with Singapore's intelligent island. The Singapore state has gone even to the extent of toying with the encouragement of creativity in its schools! Japanese success in high technology would have, I think a great impact on Southeast Asia.

A short note on some of the literature on the Japanese model as applied to Southeast Asia

The Japanese model, particularly during the Cold War, had been proposed for many developing countries in Asia. See, for example, Edwin O. Reischauer, *Wanted, An Asian Policy* (Alfred Knopf, New York) 1955, particularly Chapter Nine on communism and democracy, and *The United States and Japan* (The Viking Press, New York), 3rd edition 1965. The proposed model was basically a model of modernization, specifically on how Meiji Japan brought the Japanese people to the modern world. Most of the writings on the Meiji period in English are done by Western scholars. Southeast Asian scholarship on Meiji Japan has not resulted in any book one can call a classic but there are many scattered articles and references to this period. Thai and Japanese scholars for example are good at comparing their modernizing experience with that of Meiji Japan as both countries were not colonised by the West. See *Thai Perceptions of Japanese Modernization* edited by Kunio Yoshihara (Kyoto University, Center for Southeast Asian Studies) 1989. For some Malaysian reference to the Meiji period, see Abu Talib Ahmad 'Between tradition and modernity: Can the balance be sustained?' in *Japan in Transition, Economy, Politics and Society* edited by Steven C.M. Wong and Kazue Sugiyama (ISIS Malaysia 1992). See also Mavis Puthuchear, 'The Political Economy of Public Enterprises in Malaysia' (Paper presented at 'Seventh Malaysian Economic Convention' organized by the Malaysian Economic Association, January 1983 which quoted a working paper on Bumiputra participation in Industry presented to the Bumiputra Economic Congress in January 1965 as advocating Malaysia adopt a form of the Meiji Model.

But the model discussed in this paper is that of postwar Japan, how it not only reconstructed from war-torn ashes but developed a society which proved to be a world beater in so many economic aspects. On this, one book *Japan as Number One, Lessons for America*, (Harvard University) 1979 by Ezra Vogel made a big impact both in Japan (I was told the head of a Japanese corporation ordered a thousand copies for his staff), and Southeast Asia. Vogel advocated that the United States and the West could adopt certain features of the Japanese system such as for example an elite corp of bureaucrats and a communitarian vision. This was initially not well received in the United States. According to Vogel (see his *Japan as Number One Revisited* (Institute of Southeast Asian Studies, Singapore) 1986) many American businessmen thought he had spent too much time in the Orient and something must have got into his head for him to write such a book on learning from Japan. However, subsequent evidence of Japanese economic success in America changed their minds. Vogel himself though did react to American criticism with another book arguing that the United States is capable of making a comeback if it adopted a course between an absolute free market and rigid state control, not unlike that of Japan. See his

Comeback, Case by Case: Building the Resurgence of American Business (Charles E. Tuttle Co., Tokyo) 1985.

The theme of the importance of a bureaucratic elite was developed in Chalmers Johnson, *MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925-1975* (Stanford University Press, Stanford, California). Though Johnson may have overemphasized MITI's role in the Japanese miracle, his book remains one of the more important books in the Japanese political economy of modern Japan.

On Southeast Asian writings on the Japanese model see Jomo, *The Sun Also Sets* (Insan, K.L.) 1983 and an enlarged second version in 1985. Both editions consist of a mixture of scholarly articles and journalistic pieces. A more scholarly version edited by Jomo is the book under Jomo K.S., ed., *Japan and Malaysian Development: In the Shadow of the Rising Sun* (Routledge, London and New York), 1994. Another one which consists mainly of articles written by Southeast Asian scholars, although edited by an American, on their country's perception of Japan is Charles Morrison ed., *Presence and Perceptions, the Underpinnings of ASEAN-Japan Relations (JCIE, Tokyo) 1983*. For a book edited by scholars and non-scholars alike, there is *Learning from the Japanese Experience*, by C.V. Devan Nair, Ezra Vogel, Nobuyoshi Namikei, Lim Chong Yah (Maruzen Asia) 1982.

As there is a dearth of Southeast Asian scholarly works on the postwar model, one has to rely on newspapers, magazines and other media for data. In this connection speeches by politicians are useful. One such example is the exposition of the relevance of the Japanese model for Malaysia is that by the Prime Minister of Malaysia, Dr. Mahathir Mohamed. See his 'The Japanese Model. Its Relevance for Malaysia' in *Winds of Change*, edited by M. Pathmanathan and David Lazarus (Kuala Lumpur, Eastern Production Sdn. Bhd.) 1984.

Notes

* This is a revised version of a paper originally presented in Tokyo (Mar 21-22, 2000) in a forum organized by GSPRI, a kind of think-tank established by some former MITI officials in Japan. It is also part of a wider study on Japan and Southeast Asia, funded by a small grant from Ohira Foundation. I would like to thank an anonymous reader for the valuable comments on an earlier draft of this paper.

¹ Many observers tend to forget that there are many differences between the Japanese and Southeast Asian situation. First, the Japanese recession came earlier than the Asian financial crisis. It resulted from a Japanese attempt to correct the bubble economy while the Asian financial crisis was externally induced, primarily by the precipitate movement of capital. Second, Japanese institutions owed not to foreign banks so much as to Japanese ones. Southeast Asian firms on the other hand were very much in hock to foreign lenders.

This reduced their maneuverability, making them susceptible to IMF intervention. And third, for all the talk of “crony capitalism” on both sides, the ‘crony capitalism’ of Japan is that of a very advanced economy with a very high level of technology.

² Dr. Mahathir Mohammed, Malaysia’s prime minister, believes this is so.

³ T.J. Pempel (2000) prefers to use the term ‘developmental regime’ to describe these three, Japan, Taiwan and South Korea.

⁴ I am indebted to Kim Ong–Giger (1999), a researcher on Japan and the information revolution, for this observation.

⁵ I read this recently in a local Malaysian newspaper but quite forgot the date. But the slogan is so apt as a description of recent Malaysian attitudes towards how a high technological society can be achieved that I cannot resist including it even if I have forgotten the source.

⁶ I am not saying that there is a deliberate American policy to weaken Asian economies. Nevertheless there are many Americans who see Asian economic strength as a threat and would like to contain it. For example in the Asian crisis recently, Mickey Kantor, the former US trade representative, was quoted as saying that the West should use this crisis to prevent the emergence of new Japans!

⁷ Japan is probably the only advanced society where there are so many modern firms or corporations which can command almost feudal like loyalty from their employees. If you are a Mitsubishi man or a Mitsui man, you are in both for life, more or less. There may be some equivalent in the West where you can be a Ford man for life. But the numbers are very much less and there is certainly less compunction in Ford than in Mitsubishi or Mitsui to retrench an employee. In Southeast Asia, comparable examples would be the clan-based business of the ethnic Chinese. But most of these businesses are not joint-stock companies like that of the Japanese.

⁸ This is not to say the state cannot be still effective in the economy, though not in the sense that is used here. The state can imposed capital controls as Malaysia did in the recent financial crisis to prevent a collapse of its stock market and currency. It can also, like Hong Kong recently, intervened in the stock market to prevent it from collapsing. These are however dire measures.

⁹ This is particularly true of so-called strategic sectors such as in banking, telecommunications and in heavy industries such as automobiles and steel. Long protected by the state, these are vulnerable to Western competition.

¹⁰ This fear was expressed by the Deputy Prime Minister of Malaysia, Abdullah Ahmad Badawi, in a speech in a Seminar organized by the Malaysian Strategic Research Centre Malaysia, on the 1999 Malaysian elections on February 3, 2000.

¹¹ In this regard, Japanese success in animation suggests that Japan is not without some strength in the information revolution. I am indebted to Professor Saya Shiraishi of Kyoto Bunkyo University for pointing to me the impact of Japanese animation in Southeast Asia.

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